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Fiona M. Venn

MIDDLE EAST OIL
AND
ANGLO-AMERICAN RELATIONS, 1918-1934

Submitted for the degree of
Doctor of Philosophy,
Bristol University 1980.

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PAGE IN THE ORIGINAL THESIS

Synopsis

The foreign policy of the United States in the interwar period, traditionally described as isolationist, is now being re-evaluated. New Left historians portray American diplomacy of the 1920s and 1930s as part of a continuum during which United States policymakers followed a conscious and orchestrated policy of economic expansion, through the mechanism of equal economic opportunity and the open door.

The open door principle was to be of particular importance in the attempt by American oil companies to obtain petroleum concessions abroad. Despite the desperate British need for a secure supply of fuel oil for her navy, which resulted in Great Britain's attempt to monopolize Middle Eastern oil resources, the United States Government was able to force the door open for Americans throughout the Middle East. By 1939 American oil companies controlled the entire Saudi Arabian and Bahrain oilfields, fifty per cent of the Kuwait concession and, by virtue of their membership in the Iraq Petroleum Company consortium, nearly a quarter of the Iraq and Qatar resources.

That the United States was able to secure such a dominating position was due almost entirely to the reluctant acceptance by the British Government of American participation in nearly all the major Middle Eastern oilfields. Although the British willingness to open the door to American companies was in part due to the march of events in the turbulent Middle East, it also reflected an explicit desire to cultivate Anglo-American friendship, and to terminate United States obstruction of the mandates for Iraq and Palestine. This submission by the country which until 1914 had been the world's greatest Power, in an area which Great Britain regarded as being within her sphere of influence, clearly demonstrates the power of the United States, even in an era of 'isolationism', to accomplish her international objectives.

Explanatory Note

Transliteration

Transliteration poses a continual problem for all writers in Middle Eastern studies, especially for those not acquainted with Middle Eastern languages. Throughout the thesis, the modern accepted English version of the spelling has been adopted where that can be ascertained, e.g. Iraq rather than Irak. The following spellings, in common use during the 1920s and 1930s, are employed in the case of direct quotation without [sic] , to avoid unnecessary interruption of the text:

Irak

Sheikh

Bahrein

Koweit

Bagdad

Teheran

To Tim

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Preface

In view of recent events, which have so dramatically affected traditional Western attitudes towards such fundamental issues as energy policy and dependence upon the reserves of the Middle Eastern oilfields, it might seem unnecessary to explain why this study of interwar oil policy was undertaken. However, the history of Middle Eastern oil in the 1920s and 1930s bears little relationship to the events of the 1960s and 1970s. Since the formation of the Organization of Petroleum Exporting Countries, the problem has become one of the politics of scarcity, in which the resource rich developing nations are in conflict with the comparatively resource poor industrialized nations. In the interwar period, on the other hand, at issue was a struggle amongst the Western powers for control of the strategically and economically critical oil resources of the world. The leading rivals were the two greatest naval powers of the period - Great Britain and the United States. This thesis examines the contest between the two countries for control of the Middle Eastern oilfields, and the extent to which considerations of Anglo-American relations affected the outcome of that contest.

United States foreign policy in the interwar years has been described by contemporaries and historians alike as isolationist. More recently, however, New Left historians, led by William Appleman Williams, have referred to the 'legend of isolationism',¹ and portrayed the 1920s and 1930s as part of a diplomatic continuum, during which United States policy makers followed a conscious and

1. William Appleman Williams, 'The Legend of Isolationism in the 1920s', Science and Society 18 (1954), pp.1-20.

orchestrated policy of economic expansion, through the mechanism of the 'open door'. It is probably more accurate to say that in the interwar period United States diplomacy combined both economic interest and ideological commitment. The refusal to participate in schemes for international co-operation such as the League of Nations should not be allowed to shield the fact that the United States Government pursued an active, and deliberate, policy of intervention and involvement, in order to protect and extend her interests. Examples are the Washington settlement of 1921-2, intervention in South America and, in particular, aggressive use of diplomatic pressure and the 'open door' doctrine to protect the interests of American citizens. This was to be particularly true in the case of those citizens engaged in the petroleum industry.

It has been demonstrated in many studies¹ that the United States Government did not hesitate to broach its isolationism to advance economic expansion. What also needs to be examined, however, is the other side of the coin. American isolationism can also be interpreted as implying that the United States, in the interwar years, ceased to be a factor in the diplomacy of other nations. Yet, if the United States was to be successful in utilizing diplomatic pressure to secure an 'open door' it was necessary for the other governments involved to be conscious of the latent political and economic power of the United States.

1. For example, Lloyd C. Gardner, Economic Aspects of New Deal Diplomacy (Madison, Wisconsin, 1964); Carl P. Parrini, Heir to Empire: United States Economic Diplomacy 1916-1923 (Pittsburgh, 1969), (hereafter Parrini); William Appleman Williams, The Tragedy of American Diplomacy (2nd edn., New York, 1972); and Joan Hoff Wilson, American Business and Foreign Policy 1920-1933 (Boston, 1971), (hereafter Wilson, American Business).

If concessions were made to American citizens explicitly to placate the United States Government, it can surely be argued that isolationism, albeit a convenient facade for United States unwillingness to participate in collective security, was in fact little more than a 'legend'.

It is in the interwar period that one can discern the transference of world supremacy from Great Britain to the United States - a transference that became clearly apparent after the Second World War. It is, therefore, singularly appropriate to examine the extent to which Great Britain modified her policies in order to promote Anglo-American friendship. Of particular significance was the struggle in the 1920s and 1930s for control of Middle Eastern oil resources. This was an interest which Great Britain was determined not to surrender easily. Her need for petroleum resources under her own control was much greater than that of the United States, which was, of course, a major oil producer and exporter. Moreover, the Middle East was a region in which the United States had few interests and less influence, whilst Great Britain had long established interests there, and by 1918 appeared to be politically pre-eminent in the region. This contrasts strongly with the position pertaining in the Western Hemisphere, scene of Great Britain's rapprochement with the United States at the turn of the century.

Yet, the outcome of the struggle for control of the Middle Eastern oil concessions is well known;¹ despite Great Britain's pre-eminent position, American oil companies were to obtain a substantial stake in the oilfields of the Middle East - a stake

1. For example, G.W. Stocking, Middle East Oil: A Study in Political and Economic Controversy (London, 1971); and B. Shwadran, The Middle East, Oil and the Great Powers 1973 (3rd edn., New York, 1973).

increased yet further by the 1951-2 Abadan crisis. What this thesis seeks to examine is, firstly, whether the United States consciously sought to employ diplomatic pressure at times and in ways to which she knew Great Britain was likely to succumb; and secondly, and more importantly, to examine the process of decision making within the British Government, in order to discover whether and to what extent decisions taken in the sphere of Middle Eastern oil were influenced by the current state of Anglo-American relations and the desire to retain the friendship of the United States.

* * * * *

One of the major characteristics of the decision-making process in Whitehall was the very large number of government departments directly or indirectly involved in the evolution of an oil policy which had to take into account such complex issues as Anglo-American relations, imperial defence in the event of a major war, the internal development of the Middle Eastern mandated territories, and British Government relations with, and policy towards, the Middle East as a whole. This necessitated a considerable volume of interdepartmental correspondence between the interested departments. In this correspondence, a clear distinction can be drawn between those departments whose primary interest was not so much in the development of the oil resources themselves, but the associated issues outlined above; and those to whom British control of Middle Eastern oil was of paramount importance. The former group comprised the Foreign Office, contending with international demands for a share

in the expected oil wealth of the Middle East; the India Office, concerned at the possible implications of a sizeable American commercial presence in the Persian Gulf; and the Colonial Office, anxious to establish viable and financially sound administrations in the areas under its direct responsibility.

In the following examination of Middle Eastern oil and Anglo-American relations, attention has been concentrated upon the two departments actually responsible for the decision to admit United States interests into the Middle Eastern oilfields - the Colonial Office and the Foreign Office - and the evolution and implementation of policy within those departments. In seeking to open the door to American oil companies, the Foreign and Colonial Offices not only had to contend with the opposition of the India Office and the Government of India, but that of the Service Departments, to whom the oil resources themselves were paramount, other questions of international relations and internal Middle Eastern development being only secondary in importance. The Admiralty was especially vociferous concerning its needs: it was accustomed to its dependence upon fuel oil being given special consideration by the Colonial Office in the formulation of regulations to govern the West Indian oil industry. To a lesser extent, the views of the British administrators in the Middle East, and the quasi-independent rulers such as King Faisal of Iraq, and the Persian Gulf shaikhs, had also to be taken into consideration. It was rare, however, for such views significantly to modify existing policy.

The question of American involvement in the exploitation of Middle Eastern oilfields was largely decided by correspondence between the higher civil servants of the Whitehall Departments,

with occasional reference to the Cabinet. On virtually every occasion, that reference was a purely formal request for Cabinet sanction of a policy already decided upon by permanent officials: ministers rarely initiated discussion. The papers of most value for a discussion of Middle Eastern oil and Anglo-American relations were, therefore, the department records deposited in the Public Record Office. Virtually none of the permanent officials most involved have left private papers.

In the United States the process of decision-making was far less complex, with fewer aspects of government policy to be considered. Moreover, only two departments - State and Commerce - showed a continuing interest in the oil resources of the Middle East. However, in evolving its policy, especially during the 1920s, the Department of State had also to take into account the opinions of several leading senators, whilst Cabinet officers, such as Herbert Hoover and Albert Fall, also expressed an interest in the Mesopotamian controversy. Unfortunately, it is more difficult to ascertain the evolution and modification of United States Government policy from the department records on file in the National Archives. The filing and minuting systems of both the State and Commerce Departments in the 1920s and 1930s left much to be desired, whilst Herbert Hoover removed many official records along with his personal papers when he resigned as Secretary of Commerce in 1928. It was therefore necessary to supplement the official records of the government offices with the private papers of politicians, permanent officials, and Embassy staff, wherever these were available.

Acknowledgements

I would like to thank the staff of the following libraries for their assistance: the Public Record Office; the National Archives, Washington D.C.; the Library of Congress; the Herbert Hoover Presidential Library; the Manuscripts and Archives Collection, Sterling Library, Yale University; and the Oral History Collection, Columbia University. I am particularly grateful to Director Thomas T. Thalken and Assistant Director Robert Wood for facilitating my trip to the somewhat isolated Hoover Library. Research in the United States was made possible by a fellowship from the American Council of Learned Societies, administered by the British Association for American Studies.

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Chapter One

Introduction

It was not until the interwar period that the struggle for control of the oil resources of the Middle East began to affect the course of Anglo-American relations. However, in order fully to comprehend the significance of Great Britain's concessions to the United States, it is first necessary to appreciate the widely divergent positions of the two nations in the Middle East after the First World War. It is thus proposed to examine in this introduction, firstly, the development and extent of their interests in the region prior to 1914, with particular concentration upon the extent and nature of American involvement, and, secondly, how each power responded to the upheaval in the Middle East resulting from the 1914-18 war. It is only in the light of the very limited involvement of the United States in the Middle East, particularly in political as opposed to commercial and cultural affairs, that the magnitude of her achievement, in securing the oil concessions for Bahrain and Saudi Arabia, and a substantial interest in the Iraq and Kuwait concessions, can be fully appreciated. American involvement and influence, already slight before 1914, were to be weakened still further by the events of the First World War, and their impact upon the Middle East.

For Great Britain, on the other hand, the Middle East was an area of vast strategic, political and economic importance, and long before the United States even began to develop links with the region, British interests there were already well established. These interests were all the greater because of the international significance of the Near and Middle East. By 1830 - the year in which diplomatic relations were officially established between the United Kingdom and the Sublime Porte (the Turkish Court and

Government) - the future of the Ottoman Empire was already the subject of much concern in European diplomacy. During the rest of the nineteenth century, the so-called Eastern Question, intensified by the Empire's steady decline in power, became of even greater importance. The ultimate fate of the 'sick man of Europe' and his rich possessions was of interest to all the European Great Powers who assiduously endeavoured to improve their own positions, at the expense of Turkey, and each other. Of greatest significance was the struggle between Russia and Great Britain for pre-eminence in Central Asia. However, other countries also had interests and ambitions, which they were determined to preserve at all costs, and, if possible, extend: Austria-Hungary in the Balkans, Germany in European Turkey and Mesopotamia, and France in Syria and the Lebanon.¹

Great Britain's objectives had been defined early in the nineteenth century. Her interest in the Middle East, and especially the Arabian Peninsula, dated from the acquisition of India, and intensified after the French occupation of Egypt in 1798, when she realized that a threat to the Middle East was a threat to her Indian possessions. Under Lord Palmerston in the 1830s, the policy was formulated that was to remain the consistent British guideline until the First World War; to safeguard the integrity of the Ottoman

1. The introductory paragraphs are based upon a large selection of secondary works, of which the most useful were M.S. Anderson, The Eastern Question 1774-1923: A Study in International Relations (London, 1966); R.L. Greaves, Persia and the Defence of India 1884-1892: A Study in the Foreign Policy of the Third Marquis of Salisbury (London, 1959), (hereafter Greaves, Persia and the Defence of India); F. Kazemzadeh, Russia and Britain in Persia 1864-1914: A Study in Imperialism (New Haven, 1968), (hereafter Kazemzadeh); and E. Kedourie, England and the Middle East: The Destruction of the Ottoman Empire 1914-21 (London, 1956), (hereafter Kedourie), pp.9-28.

Empire as a bulwark against foreign dominance in the area, whilst maintaining British predominance in the Persian Gulf. In the later part of the nineteenth century, this latter policy took the form of ensuring that the small fringe states of the Gulf came under Great Britain's unofficial tutelage.¹ With the completion of the Suez Canal in 1869, British interest in the Middle East increased, as she sought to safeguard her new route to India, if need be by invasion.²

The main threat against which she directed her defensive policy, and in particular against which she created a buffer zone around India, of Persia, Afghanistan and Baluchistan, was the steady advance of Russia into Central Asia.³ The Tsarist state not only sought free access to the Mediterranean through the Straits, but seemed to aim towards India, whilst also seeking a route to the Persian Gulf. In the face of Russia's advance, intensified after 1905 by the need to compensate for humiliating defeat by Japan, Great Britain found it necessary to reshape her policy. In 1903, her position in the Persian Gulf had been reaffirmed in a manner brooking no interference.⁴

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1. J.B. Kelly, 'The Legal and Historical Basis of the British Position in the Persian Gulf', St. Antony's Papers 4, pp.120-37; and R.G. Landen, Oman Since 1856: Disruptive Modernization in a Traditional Arab Society (Princeton, 1967), pp.163-233. Whilst Great Britain's interests in the area were primarily maritime, in the 1880s and 1890s the Trucial Shaikhs and the Shaikh of Kuwait in effect gave her permission to conduct their foreign relations.
 2. In 1882 Great Britain occupied Egypt, ostensibly to restore order, thus herself infringing the integrity of the Ottoman Empire. Although initially it was intended to withdraw within a few months, it became apparent that efficient administration and reform were needed, and Great Britain undertook to provide them, thus creating a virtual protectorate over Egypt.
 3. Greaves, Persia and the Defence of India; Kazemzadeh, pp.3-20 and 62-98.
 4. On 5 May 1903 Lord Lansdowne stated in the House of Lords that whilst Great Britain did not intend to exclude the legitimate trade of other nations, 'we should regard the establishment of a naval base or a fortified port in the Persian Gulf by any other power as a very grave menace to British interests, and we should certainly resist it with all the means at our disposal', Kazemzadeh, p.443. France, ~~Germany and~~ Russia had all been trying to improve their position in the ~~Persian~~ Gulf. Landen, op.cit., pp.240-67.

In 1907, however, a radical step was taken in reversing the traditional policy of maintaining a buffer zone to withhold Russia. The Anglo-Russian Convention of 1907, whilst largely the product of European politics, had profound implications for the Middle East. In it Great Britain, faced with the result of her weak policy in Persia, admitted that a divided Persia, with the South under recognized British influence, was better than an independent but weak Persia prone to fall victim to Russia.¹

Whilst Russia and Great Britain were also the main rivals for influence over the Ottoman Empire, here they faced challenges from other powers. Undoubtedly the most significant was that from the newly unified Germany. Denied by Bismarck's policy the richest pickings of colonial empire, Kaiser Wilhelm II saw in the moribund Turkey an opportunity for commercial gain and possible political predominance. The Kaiser himself promoted Germany's interests by his two visits to Constantinople in 1889 and 1898; by 1908, the last year of Sultan Abdul Hamid II's reign, Germany had become by far the most influential nation at the Sublime Porte, a position it was able to regain even after the Young Turk revolution of 1909.² Whilst Austria-Hungary's main preoccupation was with the European Balkan provinces, both Italy and France claimed a share for themselves in the sick man's estate. Although France had been forced to withdraw her military mission from Turkey and Egypt in 1870, and hence had lost much of her political influence, she was anxious to

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1. The text of the agreement is in G.P. Gooch and H.W.V. Temperley, eds., British Documents on the Origin of the War: 1898-1914 10 vols. (London, 1927-1938), (hereafter Gooch and Temperley, Documents), IV, pp.618-21; Kazemzadeh, pp.497-509; and Viscount Grey of Fallodon, Twenty-Five Years: 1892-1916 2 vols. (London, 1926), I, pp.152-171.
 2. E.M. Earle, Turkey, the Great Powers, and the Baghdad Railway: A Study in Imperialism (New York, 1924), pp.31-45; and W.O. Henderson, 'German Economic Penetration in the Middle East, 1870-1914', Economic History Review XVIII (1948), pp.54-64.

defend both her heavy financial stake in the Ottoman Empire (especially Egypt), and her traditional claim to influence in Syria.

It is only within the context of European diplomacy in the Ottoman Empire and Persia that the real weakness of the United States position before 1918 can be appreciated. In the struggle for the possessions and riches of the old Ottoman Empire after the First World War, Great Britain and France started with vast advantages, including already articulated desiderata, as outlined in the Sykes-Picot agreement of 1916, and long established and powerful interests; even Soviet Russia, crippled by internecine strife, could wield more influence in Persia than could the United States. Before President Woodrow Wilson's intervention in the Middle Eastern settlement at Versailles, the United States had played absolutely no part in the international Eastern Question. She had clearly outlined her intended sphere of influence, by the promulgation and elaboration of the Monroe Doctrine. Whilst the powerful use of the vast potential markets of China and Japan had resulted in the formulation of an American Far Eastern policy, in the affairs of Europe, Africa and most of the vast regions of Asia, the United States role was solely that of a disinterested observer.¹

This does not imply, however, that the United States was entirely without interests in the Ottoman Empire and Persia, although those that she did have were mostly commercial and cultural. As early as 1785, the New Englanders had begun trade with Smyrna, the largest commercial centre in the Sultan's domain, and by the 1820s their annual trade amounted to one million dollars or more.² In 1811, the

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1. See Appendix II, Section A, for a discussion of the creation of a Near Eastern Division in the Department of State, and its limited personnel.
 2. Leland J. Gordon, American Relations with Turkey, 1830-1930: An Economic Interpretation (Philadelphia, 1932), (hereafter Gordon), pp.41-42; and Nasim Sousa, The Capitulatory Regime of Turkey: Its History, Origin and Nature (Baltimore, 1933), (hereafter Sousa, Capitulatory Regime), p.129, Note 4.

first American trading house was established in the port, Messrs. Woodmas and Offley, the latter of whom was to serve unofficially as United States consul from 1824. It was largely because of unfavourable customs duties imposed upon American cargoes that the United States became anxious to negotiate a treaty with the Sublime Porte. However, American trade with the Middle East was never to exceed 1-2% of total American exports and imports,¹ even though trade increased steadily in the early part of the twentieth century. This was largely due to the many similarities between the economies of the United States and the Ottoman Empire, especially during the nineteenth century. Both were largely exporters of raw materials and foodstuffs, and importers of manufactured goods, with a comprehensive range of domestic produce. Moreover, both produced very similar cash crops,² America's cotton, tobacco and grain being paralleled by the cotton of Egypt, the tobacco of Turkey, and the grain of the Anatolian plains. The main American purchases were, therefore, rugs, carpets and, especially after 1902, tobacco, with the Ottoman Empire taking in exchange firearms, kerosene and, to a lesser extent, manufactured goods.³ United States trade with the Arabian peninsula and Persia was minimal.⁴

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1. Bureau of the Census, Statistical Abstract of the United States (Washington D.C., annual) gives detailed figures for United States trade.
 2. So much so that the American Civil War resulted in a boom in Egyptian cotton and Turkish tobacco. David D. Landes, Bankers and Pashas: International Finance and Economic Imperialism in Egypt (London, 1958), pp.55-56 and passim. Whereas in 1861 the cotton crop in Egypt yielded 60 million lb., by 1864 it was yielding 173 million. D.R. Serpell, 'American consular activities in Egypt, 1849-63', Journal of Modern History X (1938), p.349.
 3. Gordon, Table 3, p.49; Table 4, p.51; Table 8, p.65 and Table 9, p.66
 4. Charles Issawi, The Economic History of the Middle East 1800-1914 (Chicago, 1966); J. Bharier, Economic Development in Iran 1900-1970 (London, 1971), Table 3, p.108 and Table 5, p.113; and Charles Issawi, The Economic History of Iran 1800-1914 (Chicago, 1971), pp.148-9.

European nations secured economic power in the Middle East, not only because of the extent of their trade, but also because of their investment there. However, very little American capital made its way to the Middle East. Before 1918 the United States was on balance a debtor nation, and her domestic capital was mostly invested in her own dramatic industrialization, apart from small sums diverted to Latin America and, to a lesser extent, Canada. The Middle East offered neither the security nor the facilities to encourage American investment which, like American commerce, was hindered by the lack of a direct foreign exchange between Constantinople and New York for the payment of accounts; moreover, no American bank opened a branch in the Ottoman Empire until 1920.¹ Even as late as November 1914, it has been estimated that the United States provided only 1.8% of the total capital investment in the Ottoman Empire (less, for example, than Belgium),² almost all invested in trade, or the agencies of such companies as the Singer Sewing Machine Company, the American Tobacco Company and the Standard Oil Company of New York (Socony).³ This lack of investment meant that the chronic financial embarrassment of Near Eastern governments affected only a few Americans,⁴ and therefore the United States Government was represented on neither the Ottoman Public Debt Administration (1881) nor the Egyptian Caisse de la Dette (1876).

1. Gordon, pp.143-9.

2. Charles Issawi, The Economic History of the Middle East 1800-1914 (Chicago, 1966), pp.94-5.

3. J.A. DeNovo, American Interests and Policies in the Middle East 1900-39 (Minneapolis, 1963), (hereafter DeNovo, American Interests), p.40.

4. Department of State, Papers Relating to the Foreign Relations of the United States 1880 (Washington, 1881), (hereafter For. Rel. and year), p.1003.

In view of later events, it might seem that the most significant area of economic development in the Near and Middle East before 1914 was the granting of concessions for the exploitation of petroleum. However, although throughout the Near East surface oil deposits had been worked since antiquity, the large international oil companies did not express an interest in the region until the early twentieth century. Whilst this may seem surprising, oil seepages alone were not thought to prove the existence of economically viable oilfields; the full potential of the Middle Eastern oil riches was not in fact to be appreciated until after the Second World War. Exploration and drilling in the interior of the Ottoman Empire and Persia was hazardous, with no adequate protection provided by either government against local tribesmen. Moreover, the notorious corruption and dilatoriness of both the Shah and his ministers, and the Sublime Porte, would undoubtedly have deterred the major oil companies. American companies in particular, and to a lesser extent Royal Dutch and Shell, had access to large sources of readily available supplies in the United States, Russia, Roumania, and the Dutch East Indies.¹

In 1901,² however, with the full backing of British diplomats, the Shah of Persia granted to Knox D'Arcy, a British subject, the right to exploit oil for 60 years throughout Persia, excepting only

1. See Appendix III.

2. An earlier concession had been granted in 1872, the de Reuter concession, which included mineral rights. However, in 1873 Russian pressure forced the Shah to cancel the concession.

the five northern provinces.¹ D'Arcy was not connected with a large oil company, but following the successful discovery of oil in commercial quantities in 1908, the Anglo-Persian Oil Company was formed in the following year to take over the concession. Keen interest was shown in the company by the British governments of the day, which supported to the utmost attempts by D'Arcy to gain an entrée into the oil bearing regions of Mesopotamia, where German interests were already strongly entrenched. After a prolonged period of commercial and diplomatic negotiations, an agreement was signed in March 1914 at the British Foreign Office, between the Deutsche Bank, the Anglo-Saxon Oil Company (a subsidiary of Royal Dutch-Shell), and the British and German Governments, by which a new Anglo-German syndicate was set up, the Turkish Petroleum Company (TPC)², which was to have the diplomatic backing of both the German and British Governments, and which was to incorporate the mineral claims granted as part of the Baghdad Railway concession.³ On

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1. The text of the concession is in J.C. Hurewitz, Diplomacy in the Near and Middle East: A Documentary Record 1914-1956 2 vols. (New York, 1972), (hereafter Hurewitz), I, pp.249-251. For accounts of the negotiations, see G.W. Stocking, Middle East Oil: A Study in Political and Economic Controversy (London, 1971), (hereafter Stocking), pp.3-11; Z. Mikdashi, A Financial Analysis of Middle Eastern Oil Concessions 1901-65 (New York, 1966), (hereafter Mikdashi), pp.9-15; S.H. Longrigg, Oil in the Middle East: Its Discovery and Development (London, 1954), (hereafter Longrigg, Oil), pp.14-18; H. Longhurst, Adventure in Oil: The Story of British Petroleum (London, 1959), (hereafter Longhurst), pp.17-20; and B. Shwadran, The Middle East, Oil and the Great Powers 1973 (3rd edn., New York, 1973), (hereafter Shwadran), pp.13-17.
 2. The usual abbreviation for the Turkish Petroleum Company, which will be used throughout this thesis, is TPC (rather than T.P.C.). See Appendix I.
 3. For an account of the negotiations for the Mesopotamian concession, see Marian Kent, Oil and Empire: British Policy and Mesopotamian Oil 1900-1920 (London, 1976), (hereafter Kent, Oil and Empire); and Helmut Mejcher, Imperial Quest for Oil: Iraq 1910-1928 (London, 1976), (hereafter Mejcher, Imperial Quest), ch. 1. The text of the Foreign Office Agreement of March 1914 is in Hurewitz, I, pp.276-8.

28 June 1914, after prolonged diplomatic pressure from both governments, the Turkish Grand Vizier wrote identical letters to the German and British Ambassadors, promising that an oil concession for the vilayets of Baghdad and Mosul would be granted to the TPC, on terms to be negotiated at a later date.¹ By now, Anglo-Persian was in a unique position, since the British Treasury had purchased a controlling interest in the company.² Also at this time, the British Government obtained commitments from the Shaikhs of Bahrain and Kuwait that they would not allow the exploitation of oil in their territory except with the express approval of the British Government.³

In contrast to this vigorous British policy, American companies showed little interest in the Middle East in the early years of the twentieth century. Whilst to Great Britain the Middle East offered the incentive of providing, in Southern Persia, a petroliferous area which, if not actually in the Empire, was under her influence,⁴ to American companies it could not compare with the security of the newly discovered oilfields in the Monroe Doctrine area of Latin America. Only the Standard Oil Company of New York (Socony) ventured

1. Kent, Oil and Empire, pp.103-112.

2. Marion Jack, 'The Purchase of the British Government's Shares in the British Petroleum Company, 1912-14', Past and Present 39 (1968), pp.139-168; W.S. Churchill, The World Crisis 5 vols. (London, 1923-1929), I, pp.130-5; Longhurst, pp.20-52; Shwadran, pp.18-19. The debate on the purchase is in Parliamentary Debates 5th Series, XLIII, 1914, cols.1131-1250. The text of the agreement between the Treasury, the Admiralty and the Anglo-Persian Oil Company is in Hurewitz, I, pp.278-91.

3. Agreements with the Shaikh of Kuwait, 27 October 1913, and the Shaikh of Bahrain, 14 May 1914, Hurewitz, I, pp.272-3.

4. This was not, however, the main reason for the purchase of the Government shares in Anglo-Persian; the intention was to ensure that the Admiralty was not at the mercy of a price monopoly. Marian Jack, op.cit.

to seek a concession in the Ottoman Empire. Socony was, however, unusual amongst American companies, in that it had large markets for kerosene in the Near and Far East, but no domestic American production with which to supply them.¹ It therefore decided, in 1913-14, to send exploration parties to the Ottoman Empire; this initiative was to lead to the company obtaining several licences for mineral prospecting in Palestine. However, exploratory work on the licences, although begun, was halted by the outbreak of the First World War.²

Thus American economic activity in the Middle East before 1914, although showing signs of steady growth, was of minor significance in comparison with that of the major European nations. Above all, American businessmen were disadvantaged by the lack of consistent and efficacious pressure from United States diplomatic and consular officials, to obtain concessions and favours for American nationals. Moreover, they could not utilize the wide range of facilities, such as banks, agencies and chambers of commerce, which their competitors, with large investments already at stake in Turkey, had at their disposal. It was not, however, for their trade and investment that the Americans were noted before 1914. The work for which they are most remembered, and which figures prominently in accounts of American involvement in Turkey,³ was that of the

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1. In 1911 the Standard Oil Company was dissolved, in accordance with the 1890 Sherman Anti-Trust Law, into its various component companies of which the Standard Oil Company of New York (Socony) was one. Since it had been the exporting and marketing company for the trust, it was left with very little production capacity of its own.
 2. Longrigg, Oil, p.25; Shwadran, p.449; and W. Yale, The Near East (Ann Arbor, 1958), pp.369-70.
 3. See, for example, A.L.P. Dennis, Adventures in American Diplomacy 1896-1906 (New York, 1918), pp.447-468; Sousa, Capitulatory Regime, pp.139-50; and DeNovo, American Interests, chs. 1 and 2.

Protestant missionaries who from the early nineteenth century flocked to all parts of Asia, including the Near East.

The American Board of Commissioners for Foreign Missions, founded in 1810, was from its inauguration to show a strong fascination with the Holy Land - in common with other similar societies. In 1820 its first missionaries landed in Smyrna, their ultimate destination Jerusalem, their ultimate mission the conversion of the Jews, and the regeneration from within of the Ottoman Christian churches. In common with later missions, to Armenia and European Turkey (1831), to the Nestorians in Persia (1829), to Egypt (1854) and to the Persian Gulf area of Arabia (1890s), the success of the missionaries in Syria, if judged by their original aims, was minimal. Language problems abounded, Ottoman laws prevented preaching to, and conversion of, Muslims, and conversions of even existing Christians to Protestantism were small in relation to the effort expended.¹ The most lasting achievements of the American missionaries, therefore, were less in proselytism than in education, originally intended as a strictly ancillary operation. The Americans' work in establishing a large number of primary and secondary schools throughout the Near and Middle East, albeit schools of very mixed quality, and printing textbooks in Arabic for their use, was a tremendous achievement.² Upon this pyramid of preparatory schools rested a number of colleges, some of which were independent of missionary

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1. A.L. Tibawi, American Interests in Syria 1800-1901: A Study of Educational, Literary and Religious Work (Oxford, 1966), (hereafter Tibawi), pp.12-29; and E.M. Earle, 'American Missions in the Near East', Foreign Affairs VII (1928-9), (hereafter Earle, 'American Missions'), pp.398-417.
 2. Tibawi, passim, gives an extremely detailed account of how the American educational system was built up in Syria, and its weaknesses. Great care should be taken when reading the account in G. Antonius, The Arab Awakening: The Story of the Arab Nationalist Movement (London, 1938).

control but owing much to their inspiration,¹ such as the Syrian Protestant College (1866)² and Robert College (1863). However, the colleges, like the schools, drew their students primarily from the religious and ethnic minorities. If the missionaries and colleges did not foster the Arab nationalist movement to the extent that Antonius maintained, they undoubtedly provided sorely needed Western learning and technological knowledge. In addition, medical missionaries were frequently attached to missionary stations, where they opened hospitals available to all regardless of religion. Medical missionaries in the Arabian stations were in the post-war era to act as unofficial reporters for United States government officials.

However, despite the great achievements of the missionaries in the educational and medical spheres, they were by no means popular amongst the Ottoman and Persian peoples. Accusations by the Sublime Porte that the missionaries were fostering the nationalism which was to lead indirectly to the horrific American massacres of 1895-6, if not founded in truth, exacerbated still further the strained relationship between the Muslim state and the foreign Protestants who openly worked against the state religion.³ In the absence of effective protection from the Ottoman and Persian Governments, it became the task of the United States Department of State to protect the lives, property and rights of American missionaries. Since the missionaries, whilst insisting upon their right to travel freely throughout the Middle East,⁴ were also

1. For a list of the colleges, see DeNovo, American Interests, p.13.

2. Better known by its later (1920) name of the American University of Beirut.

3. Tibawi, pp.151-70.

4. The missionary stations were widely scattered, and frequently in areas that were virtually inaccessible. A list of all the missions in the Ottoman Empire can be found in For. Rel. 1907,
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vociferous in demanding their government's support and protection, this was to provide the United States Government with some of its most difficult diplomatic problems in the Middle East before the First World War. The missionaries' need for protection was of significance in the creation of several consulates and, in 1883, was to lead to the accrediting of the first American minister to Persia. Despite the very real difficulties they faced, United States diplomats attempted on several occasions to obtain compensation for the loss of American lives or property;¹ whilst, following the Armenian massacres, United States gunboats were sent to Turkish waters in an effort to obtain an indemnity for damaged property.²

The problem of protecting the lives, property and freedom of action of intrepid American missionaries was probably the most serious with which the consular and diplomatic representatives of the United States had to contend. Undoubtedly, the problem was compounded by a lack of understanding on the part of the State Department of local conditions, and the varied abilities of its representatives. The United States did not intend its ministers to take any part in the international Eastern Question, and thus

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1. For typical examples of such incidents, see Gordon, pp.237-8. The most notorious case was the Laboree murder in 1904. See A.Yeselson, United States-Persian Diplomatic Relations 1883-1921 (New Jersey, 1956), (hereafter Yeselson), pp.68-84; For. Rel. 1904 pp.657-677; For. Rel. 1905 pp.722-34; For. Rel. 1906 pp.1205-8; and For. Rel. 1907 pp.941-8.
 2. Sousa, Capitulatory Regime, pp.146-8; A.L.P. Dennis, Adventures in American Diplomacy (New York, 1928), pp.451-65; Gordon, pp.25-7; For Rel. 1895, pp.1237-1245 and 1318-1470; For. Rel. 1896, pp.848-900; For. Rel. 1899, pp.765-75; For. Rel. 1900, pp.906-909; and For. Rel. 1901, pp.514-21.

their task was the extremely routine one of safeguarding the interests of American merchants and United States citizens resident in the area, including the missionaries. Even this task was complicated by the inferior power and prestige of the United States, when compared to that of the other Great Powers.

Officially, American rights under Ottoman law were no different from those of other nations. The treaties signed with the Sublime Porte in 1830 and 1862 not only provided for fixed customs duties and freedom of commerce, on a 'most favoured nation' basis, but also extended to United States citizens the judicial status of extraterritoriality, through the Capitulations.¹ The United States was also one of the first nations to sign a Treaty of Commerce with the ruler of Muscat and Oman,² sovereign over the entrepôts of Muscat and Zanzibar, which handled between them much of the trade of Arabia, the Persian Gulf, and East Africa.

The treaties with both the Sublime Porte and the ruler of Muscat represented no more than the securing of privileges needed to give American citizens parity with those of other nations. The 1856 Treaty with Persia, however, departed from this pattern. Not only did the United States have little trade, or potential trade, with Persia, but the initiative was taken, not by the United States, but by the Persian Government, which hoped to use the United States for its own political ends. An attempt was made by Persia to incorporate an article providing for the use of American naval

1. For the text of the Treaty of 1830, see Hurewitz, I, pp.102-5. The nature and growth of the capitulations are discussed in Sousa, Capitulatory Regime.

2. Treaty between the United States of America and Muscat, 21 September 1833, Hurewitz, I, pp.108-9. This Treaty was to assume a new significance in the 1930s, when the question of oil concessions in the Arabian peninsula arose. See Chapter 6.

forces to protect the Persian merchant marine and certain islands from the preponderance of an unnamed power; the United States, however, reduced the Treaty to the formal limits of friendship and commerce.¹

More important, perhaps, than the formal acquisition of rights and privileges, was the maintenance of officials able to uphold them. From 1831, there was an officially accredited American mission in Constantinople, and whilst the United States never developed the extensive net of consulates that Great Britain, for example, retained, consular offices were slowly created in the locations of most necessity, particularly the major trade centres and missionary stations. Nonetheless, American citizens were frequently dependent upon British protection, particularly in Persia, where American interests were minimal, whilst many of the minor consular offices were held by foreigners. The consular service in the Middle East was of hybrid growth, determined as much by the need to protect Americans already in residence, as to promote trade,² although after 1900 some United States consuls began to associate themselves directly in various trade promotion projects, thus furthering American interests and encouraging their expansion, instead of merely protecting those already there. Moreover, several men of distinction were sent as ambassadors to Constantinople, including William Rockhill, the famous 'Open Door' diplomat, Oscar Straus, and Hans Morgenthau Snr.³

1. For the text of the Treaty, Hurewitz, I, pp.158-161; and see also Yeselson, pp.20-2.

2. By 1895, the United States consular representation in the Ottoman Empire consisted of: 2 consulate generals (Constantinople and Cairo), 7 consulates, and 23 consular agencies. 22 of the consular agents were non-American.

3. A.L.P. Dennis, Adventures in American Diplomacy (New York, 1928), pp.456-63.

Nothing, however, could be achieved in either the Ottoman Empire or Persia without resort to bribery, threats or force, a lesson the Great Powers had quickly learnt. Yet, although the United States had a permanent squadron stationed in the Mediterranean from 1815, it was not until the end of the nineteenth century, despite appeals from its men on the spot, that the Department of State used this very convenient force in attempts to circumvent the traditional Ottoman delay and evasion. From 1895 to 1904, however, American vessels did visit Turkish waters on several occasions, to protect American citizens, and to persuade the Sultan to pay an indemnity.¹ Nonetheless, such incidents were infrequent and low-key. The unwillingness throughout the nineteenth century to use this accessible, if small, force would seem to reinforce the conclusion, both that the United States was anxious to avoid any action that could lead to international and troublesome complications, and that there were insufficient American interests in the area to justify the use of naval force.

The United States therefore almost totally lacked the tools with which to conduct an aggressive diplomacy in the Near and Middle East, even had she so wished. She made no loans to the Sublime Porte, the Khedive or the Shah; had no major private investment in the area; operated no banks nor public utilities; had no major garrisons nearby; and had neither the political nor the military strength to frighten the Eastern rulers into abiding by her wishes. She did not even use the important position of her missionaries to secure for herself the role of protector of the

1. DeNovo, American Interests, p.56; and H. and M. Sprout, The Rise of American Naval Power 1776-1918 (Princeton, 1939), pp.27-29, 56, and 94-5.

Ottoman Protestants; whilst, although United States consent was needed before the Ottoman Empire could raise its customs duties, it was never made conditional upon political or commercial concessions.¹ Because of this disinterest, relations between the United States and the Ottoman Empire were traditionally friendly, the main causes of dispute being caused by the protection of missionaries, and the status of ex-Ottoman subjects who became naturalized American citizens.²

The policy followed towards the Ottoman Empire by the United States, of concentrating its efforts solely on the task of preserving American interests and playing no part whatsoever in international controversy and diplomacy, extended throughout the Near and Middle East. The United States was not involved in such events as the Crimean War, the Druze-Maronite struggle in Syria in 1860, or the debate over the future of Egypt after 1876. Nor did she interfere in the Anglo-Russian struggle over the ultimate fate of Persia, despite a strong attempt by the Persian Government to enlist American help, which culminated in the 1911 Shuster mission.³ The Department of State even resisted any attempts by its diplomats to encourage the participation of American firms and

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1. Except for one occasion, in 1910, when an attempt was made to link the giving of United States assent to the granting of the Chester concession. See below.
 2. The problem was acute because, as American citizens, they could demand the privileged status of extraterritoriality; however, the Ottoman Empire did not admit of the right of any subject to adopt the citizenship of another country without first obtaining permission from the Ottoman authorities. Gordon, pp.295-305, and 326-336; For. Rel. 1895, pp.1295-1317; For. Rel. 1896, pp.924-33; For. Rel. 1897, pp.584-90; For. Rel. 1898, pp.1108-9; For. Rel. 1900, pp.934-40; For. Rel. 1904, pp.844-8; and For. Rel. 1907, pp.3-5.
 3. See below.

merchants in Persian commerce, ministers being clearly instructed that their primary task was to protect American citizens, who consisted almost entirely of missionaries.¹

Official diplomatic relations with the governments of the Near and Middle East, however, are not the only means by which the function of the United States Government in the Middle East before 1914 can be evaluated. The interest of the other Great Powers in the politics and future of the vast domains of the Sultan was not dictated solely by the European balance of power. For the Middle East, once one of the great trade routes of the medieval world, in the nineteenth century still retained much of its economic importance. Its value as a communications link, by virtue of its position at the junction of three continents, was enhanced by the completion of the Suez Canal in 1869, and the plans for a railway across Asiatic Turkey, which culminated in the great German Baghdad Railway scheme of 1903.² By the late nineteenth century, the European Powers had still further reason to be concerned at the instability and indebtedness of the Shah of Persia, the Khedive of Egypt, and the Ottoman Sultan. Most of the loans to these governments, and capital for the development and modernization of their countries, came from foreign investors, who looked to their own governments for protection and security. Partly because of the power that this vast investment by their subjects gave them, partly as a means of safeguarding that investment, the European nations came to play a major role in much of the financial administration

1. Yeselson, pp.53-61.

2. Details of the history, politics and development of the Baghdad Railway can be found in E.M. Earle, Turkey, the Great Powers, and the Baghdad Railway: A Study in Imperialism (New York, 1924); and Stuart A. Cohen, British Policy in Mesopotamia 1903-1914 (London, 1976), (hereafter Cohen).

of the Middle East, with the administration of the public debts of both the Ottoman Empire and Egypt assumed by Europeans in the interests of the foreign bondholders. Egypt's finances were run from 1876 by a dual control of France and Britain, and after 1882 by Britain alone.

This contrasted strongly with the United States Government's unwillingness to participate in such international control of the Near East. As stated earlier, the United States was not a member of the Caisse de la Dette or the Ottoman Public Debt Administration; she did not join the international commission on Suez Canal tolls in 1873, nor accede to the Constantinople Convention of 29 October 1888,¹ which provided for free use of the Canal in peace or war (probably because American use of the Canal was so slight²). The only international body of which the United States was a member, was the Mixed Courts of Egypt, which administered the capitulations. As a consequence, the other Great Powers had little reason to come into conflict with the United States over their Middle Eastern diplomacy. The United States did have to be consulted on those occasions on which the Sublime Porte wished to raise its customs duties, but such occurrences were sporadic. Since the only United States interests in the area were those of its individual citizens, it had little reason for intervention in the politics of the Great Powers. In short, it was not a factor to be considered in the diplomacy of the Eastern Question and its various ramifications.

1. The text of the convention is in Hurewitz, I, pp.202-5.

2. Trade through the Suez Canal under the United States flag was extremely light, accounting for well under one percent of the total tonnage until 1919. A Wilson, The Suez Canal (London, 1933), Table IV, pp.135-6. Nor was American trade through the Canal under other flags significant. D.A. Farnie, East and West of Suez: The Suez Canal in History 1854-1956 (Oxford, 1969), p.514.

This continued to be the case, even when the United States adopted after 1898 a more dynamic and aggressive foreign policy.¹ This imperialist era saw a gradual, but important, change in the traditional United States alignment with regard to the other world powers. Hitherto friendly to Russia and wary of Great Britain, her relationship with the former, already strained by Tsarist autocracy and repression, was fractured by the crash of interests in the Far East. Meanwhile Great Britain, aware of her dangerous isolation, was attempting to move closer to the United States and a cautious friendship grew up between them.² However, this friendship did not extend to co-operation in the Middle and Near East, where the only sign of American imperialism was a new belligerence in pursuing the old aims of the protection of American life, property and interests.

It was, in fact, in the era of 'dollar diplomacy' that American diplomacy impinged most upon events in the Near and Middle East. President Taft (1909-13) and his secretary of State Philander C. Knox made a conscious and sustained attempt to use diplomacy to further commercial gain abroad; and whilst this policy was most

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1. This is well covered in a range of secondary works. See, in particular, F.R. Dulles, America's Rise to World Power 1898-1954 (New York, 1963), chs. 2 and 3; R.W. Leopold, The Growth of American Foreign Policy: A History (New York, 1962), pp.119-238; Ernest R. May, Imperial Democracy: The Emergence of America as a Great Power (New York, 1961); and William Appleman Williams, The Tragedy of American Diplomacy (2nd edn., New York, 1972), Introduction and Chapter 1.
 2. T.A. Bailey, America Faces Russia (New York, 1950), pp.108-184; A.E. Campbell, Great Britain and the United States 1895-1903 (London, 1960); and H.C. Allen, Great Britain and the United States: A History of Anglo-American Relations (1783-1952) (New York, 1958), pp.549-629.

significant in the Far East and Latin America, it also had repercussions in the Near East, especially during 1910-11. The two incidents most indicative of this new trend are, firstly, the attempt to use diplomatic pressure to secure a railway concession for Admiral Colby Chester, and, secondly - and contrary to all established policy - Taft's promotion of an American financial mission to Persia.

The 'Chester Concession', so-called,¹ was an attempt by a syndicate originally formed by Admiral Colby Chester, and later joined by financial interests,² to obtain a railway concession in the Ottoman Empire, passing through the Mosul and Kirkuk areas and including exclusive mineral rights twenty kilometres each side of the line.³ In March 1910 a detailed preliminary agreement was signed. State Department assistance to the company extended to tentative promises that, in return for the grant of the concession, American assent would be given to the raising of the Ottoman customs duties, whilst the possibility of countering any attempt by the German Government to protect the interests of the German Baghdad Railway Company was also considered.⁴ Active State Department assistance continued throughout the next year, and in June 1911 William W. Rockhill, one of the United States most prestigious diplomats, was sent to Constantinople, his instructions stressing

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1. The best account of this is in DeNovo, American Interests, Chapter 3; see also Gordon, pp.257-265; and Marian Kent, Oil and Empire.
 2. In November 1909, the Chester group had organized the Ottoman-American Development Company, and apparently impressed the State Department with evidence of strong financial backing. DeNovo, American Interests, pp.64-8.
 3. The concession, applied for in the late summer of 1909, would have comprised at least 2,000 kilometres of railroad track.
 4. Ibid., pp.66-71; and Gordon, pp.259-261.
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the importance of securing the Chester concession.¹ Despite the growing financial instability of the company, the State Department continued to support it, but in October 1911, when it finally appeared that the bureaucratic obstacles had been surmounted, the company withdrew its 'caution money' before the project was voted upon by the Turkish Parliament. This serious embarrassment to the United States Government seems to have signed the death warrant of a more aggressive dollar diplomacy in the Near East, and avoided the possibility of a conflict of interests with Great Britain, which was already perturbed by the rapid advancement of German economic influence.

Concurrently with the abortive Chester project, an American financial mission, led by W. Morgan Shuster, was employed by Persia². In September 1910 the Persian Majlis (parliament), wishing to express some degree of independence from Anglo-Russian influence, decided to invite foreign advisers to remodel Persian finances and, with the agreement of the two Great Powers, approached the United States. The subsequent history of the mission belongs less in the realm of American dollar diplomacy than in Anglo-Russian and Russo-Persian relations. What is significant, however, apart from the choice by Persia of American financial advisers, is that had it not been for Taft's personal intervention, the State Department would have continued its traditional policy of non-involvement by refusing to nominate any

1. DeNovo, American Interests, pp.73-9.

2. Yeselson, Chapter 5; Kazemzadeh, pp.581-645; and Morgan Shuster, The Strangling of Persia: A Record of European Diplomacy and Oriental Intrigue (London, 1912). Gooch and Temperley, Documents, X, pp.746-901 contains many documents on the impact of the Shuster mission on Anglo-Russian relations. The State Department printed very few documents: see For. Rel. 1911, pp.679-87.

Americans for the posts of advisers.¹ Shuster quickly aroused the hostility of Russia, which demanded his dismissal and invaded Persia; in response, the State Department totally abjured any responsibility or interest in the Shuster mission.² Nevertheless, despite its sudden ending, the mission, by its financial ability and political impartiality, created a great fund of goodwill in Persia, both for Americans in general, and Shuster in particular. Nor did Great Britain share Russia's hostility; indeed the British Minister at Teheran, Sir G. Barclay, expressed the opinion that '...Mr. Shuster's continuance here is of...immense importance if Persia is ever to emerge regenerate as an independent country'.³

Despite the era of 'dollar diplomacy', the United States had not significantly improved its weak political and economic standing in the Middle East by 1914. However, the American position was further weakened by the First World War, which was to revolutionize the Middle East, and emphasize more strongly than before the difference between the power of Great Britain in that region, and the weakness of the United States. With the entry of the Ottoman

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1. Yeselson, pp.106-113. U.S. Assistant Secretary of State Huntington Wilson in fact suggested in a memorandum that, since 'our interests in Persia seem about as near nothing as our interests anywhere can be', the Department of State should suggest to Russia and Britain that, in return for the United States refusing to nominate American advisers to Persia, they should look favourably upon America's China policy and the Chester project in Turkey. Yeselson, pp.109-10. This idea failed when Great Britain persuaded Russia to accept American advisers.
 2. It should be noted, however, that there is no suggestion in Shuster's book that he expected the United States Government to exert diplomatic pressure on his behalf.
 3. Sir G. Barclay to Sir Edward Grey, 3 December 1911, Gooch and Temperley, Documents, X, Part 1, p.865.

Empire into the war on the side of the Central Powers in November 1914, its eventual partition in the event of Allied victory became inevitable. The Near and Middle East rapidly became a theatre of war, engulfing even the nominally neutral Persia, whilst Imperial troops in Egypt were prepared to repulse any attempt to sever the lifeline of the British Empire, the Suez Canal. Great Britain was by far the most active of all the European states in the Middle Eastern theatre. Indian troops were quietly landed in the Persian Gulf area of Mesopotamia and Persia, at the Shatt al-Arab, in part to safeguard British oil installations.¹ In the latter part of the war, the Egyptian Expeditionary Force swept through Sinai, Palestine and Syria. By the end of 1918, Egypt, Syria, the Lebanon, Palestine, Jordan and Mesopotamia were all occupied by Allied troops, the vast majority of them British. Great Britain's war aims included the assumption of a considerable degree of political responsibility for the Middle East, as articulated by her support of Arab nationalism, through the Hussain-McMahon correspondence, and subsidies to leading Arab chieftains such as ibn Saud and ibn Rashid²; the series of secret agreements with her allies on the

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1. B.C. Busch, Britain, India and the Arabs 1914-21, (Los Angeles, 1971), (hereafter Busch), pp.4-8 and 14-15; Kent, Oil and Empire, p.118; Cohen, pp.298-314; Peter Sluglett, Britain in Iraq 1914-1932 (London, 1976), (hereafter Sluglett), pp.9-11.
 2. For the Hussain-McMahon correspondence and the Arab revolt, 1915-16, see Hurewitz, II, pp.13-17; and G. Antonius, The Arab Awakening (London, 1938), pp.126-275; for British relationships with the Arab chieftains, and the 1915 Treaty between Great Britain and ibn Saud, see Hurewitz, II, pp.17-18; Busch, pp.231-263; and Gary Troeller, The Birth of Saudi Arabia: Britain and the Rise of the House of Sa'ud (London, 1976), pp.73-90.

partition of the Ottoman Empire¹; and her support for Zionism, by the Balfour Declaration of 1917.² Admittedly, many of these commitments were inherently contradictory; the Sykes-Picot Agreement of 1916 gave the French a substantial stake in the old 'Turkey in Asia',³ and conflicted with promises made in the bewildering and ambiguous McMahon-Hussain correspondence, the vehicle by which the British had pledged support to the Sharifian family and the Arab revolt. This, in turn, appeared to be in conflict with the subsidies paid to Hussain's long-standing rival, ibn Saud. Meanwhile, the Cabinet's promise of support for Zionism merely compounded the sense of confusion surrounding the future status of Palestine.

However, despite this confusing and contradictory policy - or, more accurately, policies - Britain's position in the Middle East had been considerably strengthened by the war. It was assumed that large sections of the Middle East, including Egypt, the Basra vilayet, and possibly all of Mesopotamia would be, either directly or indirectly, under British control,⁴ whilst Arabia would remain

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1. The series of agreements consisted of the 1915 Constantinople Agreement with Russia, Hurewitz, II, pp.7-11; the 1915 secret London Agreement between the Entente Powers and Italy, *ibid.*, pp.11-12; the Sykes-Picot Agreement of 1916 between Britain and France, *ibid.*, pp.18-22; and the Saint-Jean Maurienne Agreement between Britain, France and Italy in 1917, *ibid.*, pp.23-5.
 2. Leonard Stein, The Balfour Declaration (London, 1961); Isaiah Friedman, The Question of Palestine, 1914-1918: British-Jewish-Arab Relations (London, 1973); and Mayir Vereté, 'The Balfour Declaration and its Makers', Middle Eastern Studies 6 (1970), pp.48-76.
 3. Kedourie, pp.29-45.
 4. The Foreign Office expressed the view that Britain should control Mesopotamia, as the power who had 'for over two centuries... performed countless sacrifices, involving the sacrifice of many lives and the expenditure of much money'. Foreign Office, Peace Handbooks: No.92 Mesopotamia (London, 1919), p.44. For a useful discussion of the development of British interests in Mesopotamia in the early twentieth century, see Cohen, and Sluglett, pp.14-24. For the formation and policy of the Anglo-Indian administration in Basra, see Busch, pp.18-23, 49-52 and 136-163.

highly fragmented and backward, Great Britain continuing to maintain the status quo against internal disorder and foreign menace.¹ In view of the strong links that India already had with Arabia, Mesopotamia and Persia, such assumptions were understandable; not least because of the virtual elimination of Germany and Russia as rivals by 1918, which strengthened Britain's hold on the fringe states of the Arabian peninsula. Moreover, the two main contenders for power in the interior, ibn Saud and Sharif Hussain, were both receiving a British subsidy; the son of the latter, Emir Faisal, was seen by the British as a possible king of an independent Syria. Britain's hold on Persia, which in 1907-14 had steadily been weakened in the face of aggressive Russian policy, and as a consequence of Lord Grey's preoccupation with Europe, seemed about to be strengthened once more with the collapse of the Tsarist regime. It seemed as though France would be Great Britain's only rival for dominance in the Middle East after 1918.

With regard to the granting of oil concessions, Great Britain also appeared to be in a pre-eminent position. Anglo-Persian, with its government majority shareholding, controlled the South Persian oilfields, and seemed likely to gain any Northern concession with the disruption of Russian capitalism. In Mesopotamia, no concession actually existed, for the outbreak of war had halted negotiations as to the terms of the TPC's lease over the oilfields of Baghdad and Mosul, whilst the composition of the company was itself in doubt, since the Foreign Office Agreement was no longer regarded as

1. Foreign Office, Peace Handbooks: No.90 Arabia (London, 1919), pp.45-6 and 118; and Foreign Office, Peace Handbooks: No.81 Persian Gulf (London, 1919), pp.77-78.

possessing legal validity,¹ and the Deutsche Bank's 25% share-holding in the TPC had been confiscated during the course of the war.² However, with the elimination of the German interest, British control of the TPC was yet further increased, whilst it seemed certain that Great Britain would have political control over Mesopotamia - and, hence, presumably, influence on the granting of oil concessions - after the war. In short, Britain seemed set to dominate Middle Eastern oil resources.

Whilst British troops and diplomats were carefully strengthening Great Britain's position with a view to the inevitable peace conference, that of the United States was being steadily weakened. Even after her entry into the European war in April 1917, the United States was never at war with Turkey; hence American troops were not employed in any part of the old Ottoman Empire, whilst American involvement in the whole Mediterranean theatre of war was slight. However, American activity in the Near and Middle East during 1914-18 did not cease altogether. The American Legation in Constantinople, as representative of the only powerful neutral nation maintaining diplomatic relations with the Porte, looked after the interests of the Allied Powers until 1917.³ The American colleges stayed open throughout the war, in the face of great difficulties, and a core of missionaries remained, even after the American embassy and consular officials had been withdrawn. The

1. In Foreign Office, Peace Handbooks: No.92 Mesopotamia (London, 1919), p.34, the Foreign Office made public the fact that in November 1915 the Anglo-Persian had been informed that the Foreign Office Agreement no longer possessed legal validity.

2. Ibid., p.34; Kent, Oil and Empire, Chapter 6; and Mejcher, Imperial Quest, p.17.

3. Gordon, pp.16-21.

carefully built network of their schools was disrupted and largely destroyed, but the missionaries continued to do much relief work in the buildings left to them,¹ and tried to protect the Christian minorities. Meanwhile, in 1915, a group of American philanthropists, encouraged by Ambassador Hans Morgenthau, established the American Committee for American and Syrian Relief, better known under its later (1919) name of Near East Relief. Funds poured in, to be distributed in the Near East by missionaries, diplomats and other American citizens in the area, and by the time of its demise in 1930 the Committee had raised more than \$100 million, utilized both in emergency relief and permanent reconstruction work.²

The major Middle Eastern issue with which the United States Government was concerned was the question of a Jewish national home in Palestine. The British Government was anxious to issue some declaration of support for the Zionists, but wished first to secure President Wilson's approval. Despite pressure brought upon him by leading American Zionists such as Louis Brandeis, initially Wilson refused to give his support; and when eventually he consented to the wording of the Balfour Declaration, he would not allow his approval to be made public.³ Hence, the United States was of little significance in the history of the Balfour Declaration. Indeed, the only American contribution to the wartime debate on the future of the Ottoman Empire was Wilson's inclusion of Point Twelve in his famous 'Fourteen Points' speech of 8 January 1918:

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1. Earle, 'American Missions', p.413; and DeNovo, American Interests, pp.95-7.
 2. The raising of funds for Near East Relief became something of a national crusade in the United States. Ibid., pp.102-4.
 3. W. Laqueur, A History of Zionism (London, 1972), pp.108-60; L. Stein, The Balfour Declaration (London, 1961), pp.188-205, 422-8, 503-10 and 528-532; and R.N. Lebow, 'Woodrow Wilson and the Balfour Declaration', Journal of Modern History 40 (1968), pp.501-23.

The Turkish portion of the present Ottoman Empire should be assured a secure sovereignty, but the other nationalities which are now under Turkish rule should be assured an undoubted security of life and an absolutely unmolested opportunity of autonomous development, and the Dardanelles should be permanently opened as a free passage to the ships and commerce of all nations under international guarantees.

This point and, of course, Wilson's advocacy of a mandate system, were to prove of significance in the Paris Peace Conference's debate on the future of the Middle East.

Thus, by 1918, whilst British influence and power in the Middle East had increased dramatically, that of the United States, already weak in comparison, had declined substantially. Through the work of the Near East Relief Committee, the American tradition of philanthropic aid had continued, but better established interests were being eroded. Many American missionaries had fled, their property destroyed or occupied. United States commerce in the area had been totally disrupted. The United States even lacked official diplomatic representation in what had been the Ottoman Empire until 1927. Work on the one American oil concession in Palestine had been suspended by the war, and was afterwards greatly obstructed by the British Administration of Occupied Enemy Territory. The only positive achievement, if so it can be called, was Wilson's Twelfth Point, and the mandate system. Yet, even before 1914, American interests, though well established and reasonably protected, were, when compared with those of the other Great Powers, insubstantial. American economic interest in the Middle East, even before the disruption of 1914-1918, was small, whilst the United States was largely unconcerned with internal affairs in the Ottoman Empire and Persia, or with the international significance of the Eastern Question. The American record in the Near and Middle East, if unexciting, was on the whole unsullied, especially in the

religious, philanthropic and educational spheres. Nonetheless, the United States before 1918 was definitely an observer, not a participant, of Middle Eastern diplomacy.

This stance was to be reinforced when the United States Government rejected all proposals that she should assume the mandates for areas such as Armenia, Constantinople, and possibly Palestine. Whilst Great Britain was actively pursuing a new, expanded role in the Middle East, the United States was apparently withdrawing into isolationism, ignoring events in all areas outside the Americas. This, coupled with Britain's already strong position vis-à-vis Middle Eastern oil concessions, and her growing awareness of the vital necessity of controlling sufficient oil resources for wartime use, would lead one to expect that British hegemony in the Middle East would extend to control of all or most major oil concessions.

There was, however, one vital change in circumstances after 1918 which was to permit United States penetration into Middle Eastern oilfields. The history of oil negotiations prior to 1918 reveals very clearly the critical role that political influence over the Governments granting the concessions was to play. Indeed, the history of the TPC and the Mesopotamian oil negotiations before the First World War is almost entirely a history of diplomatic, rather than commercial, negotiations. In such a situation, the United States could not expect to bring sufficient influence to bear upon Middle Eastern governments to secure concessions for her nationals. In the one instance in which Americans came close to obtaining a major concession - the Chester concession - State Department influence was of far less significance than internal events in Turkey following the Young Turk Revolution. Moreover,

had the concession been finally ratified, it would still have had to withstand political pressure from European nations, particularly Germany, whose nationals had conflicting claims. In Palestine, the only area of the Ottoman Empire in which an American company successfully applied for prospecting licences, there was no State Department involvement, and the oil potential of the region was not promising. In short, American companies would have found it difficult to obtain and operate major concessions in the Middle East prior to 1914, largely as a consequence of their Government's lack of political influence.

After 1918, however, whilst the granting of Middle Eastern oil concessions still depended more upon political than commercial criteria, in virtually every case the real decision as to which company should obtain the concession rested, not with the Eastern government concerned, but with the British Government. In Palestine and Mesopotamia, Great Britain was the mandatory power; in the Persian Gulf States, she was the unofficial protector of the backward Shaikhs, as well as holding apparently unassailable Treaty rights over the granting of oil concessions. Only in Persia and the domains of ibn Saud did the real decision as to the concessionary rest with the local governments. Even here, the decision was still dictated by political rather than commercial criteria, as in both countries the nationality of the company holding the concession was seen as an important weapon in their attempts to break free of British dominance. Hence, American companies offered the only real alternative to the British government-controlled Anglo-Persian, as Royal Dutch-Shell was also seen as being under British influence; whilst in the other countries of the Middle East, in effect the government with which the United States had to deal was the British

Government, rather than the corrupt Sublime Porte, or the backward - and British dominated - Gulf Shaikhs. Thus, Anglo-American, rather than Turco- or Perso-American relations became the deciding factor. It is the effect of this change which the rest of this thesis will examine.

Chapter Two

The Anglo-American 'Oil War' in
Mesopotamia, 1918-21

One of the more remarkable aspects of oil history during the interwar period is that whereas the granting of concessions for the vast oil resources of Saudi Arabia and Kuwait passed almost unnoticed by the British press and Parliament, and all foreign governments except that of the United States, the less significant oilfields of Mesopotamia (Iraq) were the subject of almost continual international controversy during the first thirty years of the twentieth century. This must be attributed largely to a combination of comparative geological ignorance, and the timing of the negotiations themselves. Despite extensive geological surveys, the oil riches of the Arabian peninsula were vastly under-rated even in the 1930s; whilst the oil springs and seepages in Mesopotamia, and later its proximity to proved territory in Persia, drew concession hunters from the late nineteenth century. Moreover, whereas the Bahrain and Kuwait negotiations took place during a time of world depression, within the context of an oil industry where production was rising and prices falling, the most intensive period of interest in the Mesopotamian oilfields (1904-24) coincided with growing demands for oil products and an increasing fear of shortage of supplies. This same period witnessed the growing appreciation of the strategic advantages of oil, which imposed upon Western governments, for the first time, a need for secure oil supplies to fuel their navies.¹ Thus, the belief that the traces of petroleum known in Mesopotamia since biblical times indicated

1. This background to the Mesopotamian oil concession is discussed more fully in Appendix III.

immense oil wealth, and the strategic value of the oilfields, located in the Eastern rather than the Western Hemisphere, combined to interest the Great Powers in the future of the Mesopotamian oilfields on a scale hitherto unequalled.

That future was to become inextricably intertwined with the history of the Turkish Petroleum Company (TPC), an international undertaking whose shareholders, concessions and even commercial policy were to be dictated by diplomatic and political considerations. For thirty years the problem of its formation and composition, its claim to an exclusive concession in Iraq, and even its pipeline outlet to the sea, were to exercise the British Government's ingenuity and diplomatic skill. At various times, the TPC was to influence Great Britain's relations with Germany, Turkey, France, the United States and Italy; it proved one of the main stumbling blocks at the Lausanne Conference; whilst virtually every major multinational oil company was anxious for, or in possession of, a shareholding in its potential resources.

It will be recalled¹ that on 28 June 1914, following ten years of protracted negotiations in which both the British and German governments had taken a prominent part, the Grand Vizier of the Ottoman Empire had addressed a Note to the British and German Ambassadors, in which he promised that a lease for the oilfields of the vilayets of Mosul and Baghdad would be transferred from the Ministry of Finance to the TPC, then a British registered Anglo-German syndicate, on terms to be agreed at a later date. However, before the terms could be negotiated, the Ottoman Empire and Germany were at war with Great Britain, thus radically altering the situation. In the course of the war,

1. See Chapter 1.

the 25% German share in the TPC, held by the Deutsche Bank, was confiscated by the Public Trustee, and later purchased by His Majesty's Government.¹ After the war, by the San Remo Oil Agreement of 24 April 1920,² this 25%, despite a contractual undertaking that vacated shares should first be offered to the other shareholders,³ was promised to the French Government in return for Mosul and guaranteed wayleave for pipelines across French mandated territories (Syria). By this time, the British Government had already made it plain that it regarded the letter of the Grand Vizier as a binding commitment which the new Mesopotamian state was bound to honour, and that therefore the TPC was entitled to the grant of a concession for the Mosul and Baghdad vilayets. The new Mesopotamian state was, of course, under the tutelage of Great Britain as mandatory power. This attitude was to be retained in the face of growing American pressure for an 'open door' policy in the mandated territories, i.e. equal economic opportunity for the nationals of all states.

The Americans based their opposition to the TPC claim, and the San Remo Agreement, on two main contentions: firstly, that the TPC was in possession of not a concession, nor a diplomatic promise of a concession binding upon the Turkish Government's successor, but an undertaking so vague that even

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1. The history of the TPC during the war is discussed in Kent, Oil and Empire, chs. 6 and 7. See also a Memorandum respecting oil concessions in Mesopotamia by Edmund Parkes, 27 April 1918, A44/44/45, Foreign Office Records, Public Record Office, London (hereafter F.O.) 371/5638.
 2. This agreement is discussed in more detail later in the chapter. For the text of the agreement see Hurewitz, II, pp.75-7.
 3. i.e. Anglo-Saxon, a Royal Dutch-Shell subsidiary, and the D'Arcy Exploration Company, a subsidiary of Anglo-Persian.

had the war not intervened, there was no guarantee that an actual mining lease would have ever been issued; and, secondly, that the TPC's claim of exclusive rights over the oil rights in the Mosul and Baghdad vilayets was monopolistic in character, and thus contrary both to the mandate and to the 'open door' policy. The San Remo Agreement was condemned as apparently incorporating both the TPC's claim, and its exclusive character. The United States suggestion that the question should be referred to international arbitration found little favour with the British Government, well aware that the TPC's position was weak legally, resting almost entirely upon the contention that the Turkish Government, in return for concessions from the British and German governments, had made a diplomatic commitment which must be observed.

In a diplomatic correspondence extending over the three years 1919-21, the American and British Governments reiterated their different viewpoints, during which time the exploitation of Mesopotamian oil was effectively prevented. Moreover, American contentions that the United States Government's approval was necessary before the League of Nations could issue the Mesopotamian mandate considerably delayed its ratification, with serious repercussions for the British and Mesopotamian governments. During this period, the 'oil war', to which the TPC claim was a major contributory factor, exacerbated already strained Anglo-American relations. Thus stood the position when, on 1 March 1921, the Colonial Office assumed the role of adviser and mentor to the Mesopotamian Government. Three days later, the new Republican administration of the United States was inaugurated. The impact of these two changes will be examined in a later chapter.

The Anglo-American debate on Mesopotamian oil can only be understood within the context of the slowly evolving British policy towards oil and, in particular, Mesopotamian oil. This policy has, however, been discussed adequately elsewhere,¹ and it is therefore intended to concentrate upon the critical interplay between the evolving British oil policy, United States demands for participation in the oil riches of the Near and Middle East, and the steadily worsening state of Anglo-American relations. It is, however, necessary, before examining the Anglo-American diplomatic controversy, first to appreciate the general **attitudes** of the British and American governments towards oil.

Even before the First World War, the growing significance of oil as a motive fuel was becoming apparent. Although its civilian use was comparatively trivial until after 1918, its military advantages were appreciated very early in the twentieth century. An oil-burning ship had a critical speed advantage over the traditional coal-burning navies.² Thus, for the major naval powers of the world (such as the United States and Great Britain) control over adequate fuel supplies was to become a strategic necessity. However, whereas the United States was the leading producer of petroleum, Great Britain had no domestic production (contrasting vividly with her pre-eminent position in the era of coal-burning ships), nor did the Empire contain significant reserves of oil. From 1904 onwards, therefore,

1. The factual outline may be obtained from Shwadran, pp.195-209; and Stocking, pp.40-65. A more sophisticated analysis is available in Kent, Oil and Empire; Mejcher, Imperial Quest; and Colin Davis, 'British Oil Policy in the Middle East, 1919-1932', unpublished Ph.D. thesis, University of Edinburgh, 1973 (hereafter Davis, British Oil Policy).

2. This is discussed in greater detail in Appendix III.

the Admiralty urged the British Government to secure adequate physical and political control over substantial sources of crude oil, which could then be refined to meet the rigorous Admiralty fuel oil specification. In 1914, Admiralty pressure, coupled with concern at the rising price of fuel, resulted in the British Government purchasing a majority shareholding in Anglo-Persian.

The 1914-1918 war reinforced dramatically the strategic importance of oil. However, it also demonstrated that the highly localized production of Anglo-Persian was grossly inadequate for meeting Admiralty demands for fuel. It was therefore necessary for the British Government, as a critical part of its defence policy, to consider how best to secure adequate sources of oil for the navy. One alternative was to retain a strategic reserve above ground, and, indeed, steps were taken to create such a reserve, but this was envisaged as providing only sufficient oil to supply the fleet during the crucial first months of any war, until such time as regular supply lines were established.¹ The British Government began, therefore, during and after the war, to consider two additional lines of policy: i.e. physical, or political, control over more oil territory; and financial control over an oil company larger than the Anglo-Persian.

The former alternative was one factor in the British decision to occupy Mosul, the third vilayet comprising Mesopotamia, after the Armistice of Mudros with the Turks had in fact been signed. In order to retain hold of this potentially promising oil region, concessions were made to the French in 1919. The second strategy was to lead to periodic negotiations during and after the war, in an attempt to secure British control over Royal Dutch-Shell,

1. Davis, British Oil Policy, ch. 2.

the leading rival of the American Standard Oil companies, and already 40% British. The TPC, and its Mesopotamian concession, were seen as a possible incentive by which this British control could be secured. Thus, a suggestion by Anglo-Persian in 1918, that the TPC claim should be declared invalid, and a full concession for Mesopotamia be given to itself instead, was rejected. The significance of securing British control over adequate oil supplies was highlighted by the formation, during the war, of the Petroleum Imperial Policy Committee and the Petroleum Executive - the latter of which was to be incorporated after the war into the permanent bureaucratic structure.

In order to secure Mosul, the British found it necessary to offer an inducement to the French, to whom the vilayet had been assigned by the Sykes-Picot Agreement. The French, also in dire need of secure sources of oil, demanded as their quid pro quo a share in the oil riches of Mesopotamia. Yet again, the TPC was envisaged as a possible vehicle to realize this. The need to accommodate the French complicated yet further the already complex - and somewhat incoherent - British oil policy.¹ In addition to ensuring control over Mesopotamian oil, the British Government also took steps to secure that any petroleum deposits in the United Kingdom, or elsewhere in the Crown Colonies, would be available for Admiralty use in time of war.² However, in evolving her oil strategy, Great Britain clearly relied heavily upon both Mesopotamian oil, and the ubiquitous TPC.

1. For a fuller discussion, see Kent, Oil and Empire, chs. 7 and 8; Davis, British Oil Policy, pp.94-119; Mejcher, Imperial Quest, ch. 2; and Busch, pp.303-308. Additional information can be obtained from Stephen Roskill, ed., Hankey, Man of Secrets 2 vols. (London, 1972), I, pp.585-6, and II, p.45.

2. See Appendices III and IV.

On the other side of the Atlantic, the United States, as a major oil producer, appeared in a singularly fortunate position. Not only was well over 60% of the world's oil actually produced in the United States, but American companies in addition controlled much of the Mexican output. This was imported to the United States, enabling her to export large amounts of crude and refined petroleum.¹ The alliance between government and industry that developed in Great Britain, so strikingly demonstrated by the Government's shareholding in Anglo-Persian, was thus apparently unnecessary in the United States; it would also have been virtually inconceivable, at least prior to 1914, for in the progressive era the American Government had been suspicious of, and hostile to, trusts in general, and oil trusts (such as Standard Oil) in particular.

However, in 1918-22, fear was growing in the United States that the rapid exploitation of her oilfields, accelerated in order to meet Allied needs during the war, was depleting her domestic oil resources at an unacceptable rate. Reports by official government bodies such as the Geological Survey suggested that American oil reserves were dangerously low.² Meantime, the United States Government, as a growing naval power, was becoming increasingly conscious of the need for a secure - and long term - source of oil fuel.³ It was therefore urged, both by the public and by leading government officials such as Mark Requa, General

1. See Table A, Appendix III.

2. Ibid.

3. John A. DeNovo, 'Movement for an Aggressive American Oil Policy Abroad, 1918-1920', American Historical Review 61 (1956), pp.854-876 (hereafter DeNovo 'American Oil Policy Abroad'). This article proved extremely useful on compiling the following section on the formulation of an American oil policy.

Director of the Oil Division of the Bureau of Mines, that the close co-operation between the government and the oil industry, which had grown up during the war,¹ should be continued.

The growing belief in government and industry circles that America should adopt an aggressive approach to oil policy owed much to the conviction steadily gaining ground in the United States that Great Britain was deliberately attempting to control vital raw materials, including oil, throughout the Empire.² Despite the argument presented by Secretary of Commerce William C. Redfield, that such a policy was surely legitimate given Great Britain's particular circumstances,³ the American Government was hardly likely to countenance this infringement of the traditional United States demand for the open door. Its policy of economic expansion through the open door had been given added force by

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1. Memorandum by Mark Requa, 23 January 1919, State Department Decimal file 811.6363/72, Record Group 59, National Archives (hereafter file reference, R.G.59, N.A.); Report to the Sub-Committee on Mineral Raw Materials of the Economic Liaison Committee on the World Petroleum Situation, 22 April 1919, Tray 135, Special Files, Bureau of Mines, Record Group 70, National Archives (hereafter R.G.70, N.A.); Summary of Facts and Recommendations bearing upon the Petroleum Policy of the United States, prepared by the above Sub-Committee, 11 July 1919, E91, Volume 1, Special Files, Bureau of Mines, R.G.70, N.A.; and Mark Requa to Frank Polk, Counsel, Department of State, 20 May 1919, 867.6363/5, R.G.59, N.A., Microcopy 353/Roll 67 (hereafter M-/-).
 2. Herbert Hoover, U.S. Food Administration, to U.S. Secretary of Commerce, 10 May 1918, file 77270, General Correspondence, Department of Commerce, Record Group 40, National Archives (hereafter R.G.40, N.A.); B.S. Cutler, Chief of the Bureau of Foreign and Domestic Commerce, to the U.S. Secretary of Commerce, 27 May 1918, file 77255, R.G.40, N.A.; and William Willert to William Wiseman, 15 November 1918, Folder 212, Box 5, Series I, Papers of William Willert, Yale University (hereafter Willert MSS, Yale University).
 3. William C. Redfield, U.S. Secretary of Commerce, to Cutler, 27 May 1918, file 77255, R.G.40, N.A.; Redfield to Edward N. Hurley, 28 May 1918, Redfield to Bernard Baruch, 29 May 1918, and Redfield to Robert Lansing, 13 July 1918, all in file 77270, R.G.40, N.A.
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the evolution of Wilsonianism, with its commitment to equal economic opportunity in a free trade world.¹

An additional factor contributing to American suspicion of British oil policy was the growing number of reports that the British Government, in addition to controlling Anglo-Persian, was attempting to gain control of Royal Dutch-Shell, planning to unite it with all the other powerful British oil interests into an aggressive combine. Initially, the response was to advocate the organization of American oil companies, in order to compete with the British, into a group that would have the active backing of the United States Government.² However, as 1919 progressed, the envisaged role of the Government changed, from one of actively assisting American firms to combine and compete abroad, to that of using its power to persuade, or even force, Great Britain into opening up its possessions (including the mandated territories) to American oil companies. In mid 1919, the State Department took occasion to inform all its diplomatic and consular offices that in view of

The vital importance of securing adequate supplies of mineral oil both for present and future needs of the United States...You are... instructed to lend all legitimate aid to reliable and responsible United States citizens or interests which are seeking mineral oil concessions or rights. 3

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1. See, for example, Parrini; Arno J. Mayer, Wilson vs. Lenin: Political Origins of the New Diplomacy, 1917-1918 (Cleveland, 1964); William Appleman Williams, The Tragedy of American Diplomacy (2nd edn., New York, 1972); and N. Gordon Levin, Woodrow Wilson and World Politics: Response to War and Revolution (New York, 1968).
 2. There is copious documentation on this. See, for example, Robert Skinner, U.S. Consul-General, London, 'Report on British Oil Interests', 28 April 1919, 841.6363, R.G.59, N.A., M580/145; various correspondence and reports in file 312 U.K. 1918-1925, Bureau of Foreign and Domestic Commerce, Department of Commerce, Record Group 151, National Archives (hereafter BFDC, R.G.151, N.A.); and correspondence and reports, Tray 135, Special Files, Bureau of Mines, R.G.70, N.A.
 3. Circular by Alvey A. Adee, State Department, to all American Diplomatic and Consular Offices, 16 August 1919, 800.6363/16a, and Denny, We Fight for Oil (New York, 1928), pp.19-20.

Concurrently, and extending into the early part of 1920, an attempt was made in Washington to formulate an international policy on oil for the United States. Several alternatives were explored. There was a growing belief, particularly prevalent in the Interior and Commerce Departments and the Senate, but also shared by leading members of the State Department (such as Under Secretary H.P. Fletcher), that retaliatory legislation might be necessary within the United States, so as to restrict the exploitation of oil on public lands to American citizens, or nationals of countries allowing equal access to American citizens.¹ This was to result, on 25 February 1920, in the passing of a Mineral Leasing Law, which provided

That citizens of another country, the laws, customs, or regulations of which, deny similar or like privileges to citizens or corporations of this country, shall not by stock ownership, stock holding, or stock control, own any interest in any lease acquired under the provisions of this Act. 2

However, this was insufficient to satisfy all the advocates of retaliatory action. The Senate's continuing concern was expressed in a resolution, passed on 10 March 1920, asking what restrictions were imposed in foreign countries on United States citizens, and what steps were being taken to ensure their removal. The State Department submitted a comprehensive - and, to some extent, inaccurate - report on 14 May 1920, 2 days after protesting to Great Britain at its policies in mandated territories.³ Additional

1. Memo by H.P. Fletcher, Under Secretary, to U.S. Secretary of State, 10 October 1919, 800.6363/87, R.G.59, N.A.; exchange of correspondence in October and November 1919, between Franklin Lane, Secretary of the Interior, and Robert Lansing, U.S. Secretary of State, 811.6363/4, R.G.59, N.A.; correspondence on 800.6363/112 and 811.6363/35, R.G.59, N.A.; and Report on Foreign Laws and Regulations restricting investment in and development of foreign oil properties by U.S. companies, 26 May 1919, Tray 293B, Special Files, Bureau of Mines, R.G.70, N.A.

2. DeNovo, 'American Oil Policy Abroad', p.871.

3. 800.6363/120, R.G.59, N.A.

measures were also considered, particularly within the Senate, but never actually implemented. These included the retaliatory closing of private as well as public lands; an embargo on oil shipments to all countries operating restrictive legislation; and the possibility of forming a State Oil Corporation to operate abroad. A leading figure in the attempt to extend retaliatory action was Senator Phelan, actively encouraged by members of the Commerce Department, who supplied him with information to use in his attacks on British oil policy.¹

The State Department was also considering additional, less dramatic measures, in particular the possibility of addressing a general oil note to the British Government. Such a note would state that the United States Government felt that there was a deliberate policy '...to obtain for the British Government or British nationals the control of petroleum supplies in the British Empire and in foreign countries...' but would appeal for reciprocity, rather than threaten retaliation.² This suggestion the United States Ambassador in London, John W. Davis, supported, drawing particular attention to the policy which Great Britain appeared to be pursuing in the mandate areas, and linking this with what he saw as a general trend towards Imperial Preference and colonial monopoly.³ By this period (April 1920), Davis had, of course, already conducted fruitless conversations with the British Foreign Office on the subject of American rights in

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1. R.S. MacElwee, Acting Director, Bureau of Foreign and Domestic Commerce, to James D. Phelan, U.S. Senate, 13 May 1920, 312 U.K., BFDC, R.G.151, N.A.
 2. Frank Polk, State Department, to Ambassador John W. Davis, 13 March 1920, 841.6363/29A, R.G.59, N.A., M580/145.
 3. J. Davis to U.S. Secretary of State, 28 April 1920, 841.6363/45, R.G.59, N.A., M580/145.
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Palestine.¹ Soon thereafter, the United States initiated a diplomatic correspondence on the subject of economic rights in mandated territories.²

Concurrently with these developments, the press on both sides of the Atlantic seized upon the growing Anglo-American rivalry for oil resources, not only in the Near East, but also Latin America and Russia. A spate of articles and books talked of an 'oil war',³ creating a widespread public interest in oil matters. At the core of the 'oil war' were reports current in the United States that Great Britain was trying to create an oil hegemony, by 'cornering' all the major sources of future supply, hence excluding the United States just as she depleted her own resources. These reports appeared to be substantiated by a number of speeches in which leading British figures (Hamar Greenwood, Minister in charge of Petroleum Affairs, Walter Long, First Lord of the Admiralty, and Sir E. Mackay Edgar, a prominent financier) boasted that Great Britain had secured for herself the major oilfields of the future.

Many of these 'oil war' articles paid particular attention to Mesopotamia, a preoccupation shared by the State Department, which was becoming increasingly concerned that oil had played a significant part in shaping Great Britain's policy towards Mesopotamia. In deciding what action might appropriately be taken, State Department officials had to take into account pleas by leading American oil men '...that measures may be taken to prevent the exclusion of American interests from [the Mesopotamian] field'.⁴

1. This is discussed in Chapter 4.

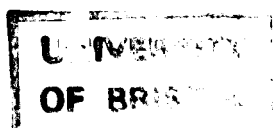
2. The diplomatic correspondence is examined in more detail below.

3. See Appendix III.

4. Thomas O'Donnell, President American Petroleum Institute, to Robert Lansing, 30 September 1919, and enclosed memo, 800.6363/89, R.G.59, N.A.

Concern was also being shown by leading American diplomats such as Ambassador J.W. Davis, and Frank Polk, a member of the American Delegation to Negotiate Peace in Paris, that France and Great Britain were trying to avoid the 'open door' in the Near East.¹ By April 1920, A.C. Millspaugh, the State Department's petroleum expert, was convinced that 'The British had a definite oil policy which apparently included the control of Near Eastern supplies by themselves'.² This was particularly serious, since the United States had by this point apparently withdrawn from world affairs, The Treaty of Versailles and the League Covenant it contained having been rejected by Senate. This considerably lessened opportunities for the United States Government to safeguard American interests in the mandated territories. The San Remo Agreements and the Near Eastern settlement proposed in the draft Treaty of Sevres seemed to confirm American suspicions that the British and French intended to take full advantage of United States 'isolationism' to advance their own interests in the ex-Ottoman mandates, particularly as regards oil.³ On 12 May 1920, however, the United States took steps to demonstrate that she did not intend to neglect what she saw as her rights in the Near East, by addressing a formal note to the British Government on the subject.

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1. Frank Polk to J. Davis, 19 October 1919, Box 4, Part 1, Series II, Alphabetical Correspondence, Personal, in Papers of John W. Davis, Yale University (hereafter Davis MSS, Yale University); J. Davis to U.S. Secretary of State, 6 November 1919, 867.6363/7, and same to same, 28 February 1920, 867.6363/9, both in R.G.59, N.A., M353/67; and J. Davis to R. Lansing, 23 December 1919, Volume 50, Papers of Robert Lansing, Library of Congress (hereafter Lansing MSS).
 2. Memorandum by A.C. Millspaugh on the Near Eastern Situation, 9 April 1920, 800.6363/166, R.G.59, N.A.
 3. Leland Harrison to Polk, 30 April 1920, 'Leland Harrison', Folder 116, Drawer 77, Papers of Frank Polk, Yale University (hereafter Polk MSS).



The diplomatic controversy was thus opened, with the United States already suspicious of British intentions towards oil (especially Mesopotamian oil), and only too ready to detect British foul play. Those suspicions were heightened by the steadily worsening state of Anglo-American relations generally. Although, in view of the lessons of the Great War, the anxiety of both governments to obtain and control oil is understandable, the 'oil war' mentality would probably not have gained such pre-eminence were it not for other causes of friction between Great Britain and the United States. Thus to the Americans, the struggle for control of the world's oil resources seemed just another part of Britain's old, imperialist diplomacy. To the British on the other hand, faced with rising nationalism throughout the Near East, it appeared as though the United States were pursuing a policy of 'opportunity without responsibility'. This mutual suspicion was reflected in the sharp, even irritated, tone of the diplomatic correspondence, which apparently wrecked the possibility of a commercial compromise in November/December 1920.

Ever since the Anglo-American rapprochement at the turn of the century,¹ relationships between the two countries had been friendly. There was a marked tendency to assume that war between the two leading Anglo-Saxon peoples was unthinkable; and an apparent identity of interests and principles that had been reflected even during the strained period of American neutrality in 1914-1917. However, some friction was inevitable, as the United States increasingly assumed a world, as opposed to a hemispheric role, whilst British power and prestige continued to wane. The clash between the United States as the representative

1. A.E. Campbell, Great Britain and the United States 1895-1903 (London, 1960).

of the 'new' diplomacy, and Great Britain as the leader of the old, became apparent in the debate on war aims in the course of the war, and was to develop thereafter.¹

In November 1918, State Department Assistant Secretary William Phillips, in trying to find out what controversial questions existed between Great Britain and the United States (it was in itself revealing, that such an investigation could be thought necessary) was informed of several potential areas of conflict.² Increasingly, during 1919 and 1920, prominent observers of Anglo-American relations on both sides of the Atlantic were expressing concern at the worsening of those relations, and the growing ill feeling in both countries.³ By August 1919, the British Government was already so anxious to promote Anglo-American friendship, and encourage United States entry into the League, that it sent a special mission to Washington D.C. under Viscount Grey, an ex-Foreign Secretary. Despite its prestigious leader, the mission was to fail,⁴ partially as a

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1. Arno J. Mayer, Wilson vs. Lenin: Political Origins of the New Diplomacy, 1917-1918 (Cleveland, 1964); and N. Gordon Levin, Woodrow Wilson and World Politics: Response to War and Revolution (New York, 1968).
 2. Such as the Anglo-Japanese alliance, commercial rivalry, and competition for oil concessions in Latin America. See the various memoranda on 711.41/22, R.G.59, N.A., M581/1.
 3. Colonel E. House to President Wilson, 30 July 1919, in Charles Seymour, The Intimate Papers of Colonel House 4 vols. (London, 1926-28) IV, p.510; diary entry for 4 September 1919, p.32, Vol.16, The Diaries of Colonel E. House, in the Papers of Colonel E. House, Yale University (hereafter House Diaries, Yale); diary entry for 21 December 1919, p.86, Vol.16; House Diaries, Yale; J. Davis to Lansing, 1 February 1920, Box 4, Part 1, Series II, Alphabetical Correspondence Personal, Davis MSS; and Willert to William Tyrrell (Foreign Office), 7 March 1920, Folder 194, Box 5, Series I, Willert MSS.
 4. Butler, Bury and Woodward, eds., Documents on British Foreign Policy 1919-39, (hereafter D.B.F.P.), 1st Series, Vol.V, discusses the mission. See also Douglas L. Smith, 'Viscount Grey's 'Special Mission' and Postwar Anglo-American Relations', Southern Quarterly 11 (1973), pp.257-274.

consequence of escalating hostility towards Great Britain, predominantly due to the serious illness of President Wilson, which was to bedevil American diplomacy.¹

By early 1920, relations had deteriorated yet further. On 25 February 1920 a new Secretary of State, Bainbridge Colby, was appointed - a man thought by British Embassy officials to be anti-British.² An additional worry, one which was to persist throughout 1920, was the approaching Presidential and Congressional elections. The Republicans had traditionally relied upon 'twisting the lion's tail' as an election issue;³ in the growing anti-British atmosphere, the Democrats might well follow suit. By May 1920 the British Ambassador in Washington, Sir Auckland Geddes, was informing Secretary of State Colby that he '...viewed not without alarm the effects which the violent expressions of anti-British feeling now common form in this country might have upon the mind of the people of England'.⁴ The situation deteriorated as the election approached: 'At the moment there is an hysteria of hatred against England and all her works'.⁵ It was in this atmosphere that most of the oil correspondence was conducted.

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1. The reminiscences of John W. Davis reflect clearly his sense of isolation from Washington during his Ambassadorship. 'It would have been far more interesting, of course, if Washington had been functioning'. The Reminiscences of John W. Davis (1953-4), in The Oral History Collection of Columbia University (hereafter J. Davis, Reminiscences, Columbia), p.145.
 2. R.C. Lindsay, British Embassy, Washington D.C., to Secretary of State for Foreign Affairs, 26 February 1920 and 1 March 1920, A932/A1342/712/45, F.O.371/4576
 3. Memo by Lord Curzon on Foreign Policy and Inter-Allied Debts, 17 April 1920, C.P.1093, Cabinet Records, Public Record Office, London (hereafter CAB.) 24/103.
 4. Sir Auckland Geddes, British Ambassador, Washington D.C., to Foreign Office, 21 May 1920, A3493/3493/45, F.O.371/4601.
 5. Geddes to Foreign Office, 18 October 1920, A7615/7615/45, F.O.371/4612.

Why, then, were relationships so bad? They reflected uncertainty and inexperience on the part of the United States, resentment on that of Great Britain, at the changing balance of financial, commercial, political and military power as between the two countries, with Britain steadily losing ground to her youthful rival. Possibly the most significant issue was competitive navy building.¹ In 1916, as part of a preparedness campaign, the United States had approved a massive navy building programme, which was not suspended when the war ended in 1918. Although Great Britain had never regarded the United States as a serious naval rival, looking rather to the balance of naval power in Europe, her attitude changed in the immediate post-war era, as she saw the United States emerge as a major commercial competitor. The Admiralty estimated that if the United States continued with her 1916 programme, by 1923 Great Britain, traditional operator of the two power standard, would have only the second largest navy in the world - a situation which neither the Admiralty, nor such old style imperialists as the Foreign Secretary, Lord Curzon, were likely to tolerate.² Issues also associated with naval rivalry were fears of a possible Anglo-American trade war, United States commerce having benefitted from her three years of neutrality;³ and, of greater import, American dislike of the Anglo-Japanese Alliance, first signed in 1902, and due for renewal in 1922. Japan was now the

1. J. Davis to Frank Polk, 4 January 1919, 'J.W. Davis', Folder 118, Drawer 73, Polk MSS.

2. Memo on Naval Policy by the First Lord of the Admiralty, 22 November 1920, C.P.2176, CAB.24/115.

3. The State Department was apparently so concerned at the possibility of a ruthless Anglo-American trade war, that it was considering withdrawing acceptance of Sir A. Geddes as Ambassador because he was thought to be too active in trade. Entry for 4 March 1920, Polk's Confidential Diary, Folder 20, Drawer 88, Polk MSS.

main rival to the United States in the Pacific, meaning that, in American eyes, the Anglo-Japanese Alliance could only be aimed against them. The British Foreign Office was well aware of this opinion,¹ even before Norman H. Davis, the Under Secretary of State, in a conversation with Ambassador Geddes

...told him, to put it bluntly, England could not play United States against Japan, and vice versa; ...if such a situation continued it would be necessary for England to decide whether or not she would work in harmony with Japan or the United States. 2

This in itself would have been sufficient to cause friction between Great Britain and the United States. Coincident to the growing tension over naval and Pacific issues, however, other sources of friction also developed. One was that perpetual problem in Anglo-American relations - Ireland.³ After the Easter rising of 1916, the secret trials and executions, deportations and repression provoked a wave of indignation in the United States, which was reciprocated by Great Britain, angered by the financial assistance given to Sinn Fein by the Irish-Americans. The latter also tried to use President Wilson's commitment to self determination to gain Irish independence. After 1919 what the Americans saw as a legitimate interest, and the British as interference in Irish matters continued, particularly amongst

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1. Foreign Office Memorandum on the Effect of the Anglo-Japanese Alliance upon Foreign Relations, 28 February 1920, D.B.F.P., 1st Series, Vol.VI, pp.1016-1023; Roberta Allbert Dayer, 'The British War Debts to the United States and the Anglo-Japanese Alliance, 1920-1923', Pacific Historical Review 45 (1976), pp.569-595; and Ira Klein, 'Whitehall, Washington, and the Anglo-Japanese Alliance, 1919-1921', Pacific Historical Review 41 (1972), pp.460-483.
 2. Memo by Norman H. Davis of a conversation with Sir Auckland Geddes, 20 August 1920, 711.41/125, R.G.59, N.A., M581/1.
 3. Alan J. Ward, Ireland and Anglo-American Relations 1899-1921 (London, 1969).
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Senators with Irish-American constituencies.¹ In retrospect Ambassador John W. Davis was to see the Irish question as 'the chief impediment to good feeling between Great Britain and the United States'.²

The complex issue of inter-allied debts also bedevilled Anglo-American relations. Great Britain emerged from the war America's debtor to the sum of £978 million (although she herself was owed more by the Dominions and Allies). The United States insisted upon repayment of the entire capital, together with interest, and demanded the prompt funding of the debt. Negotiations however reached deadlock in the spring of 1920, to the consequent annoyance of both governments.³ By early May, the British Chancellor of the Exchequer, Sir Austen Chamberlain, was so angry at the United States demands, that he spoke of 'the intolerable pretensions of the United States Government', and expressed the opinion that the United States Government wished to use the debts as a useful instrument for securing the acceptance of its point of view in any controversy.⁴ In June 1920, the two Treasuries abandoned their discussion on the funding of the debt.

Middle Eastern questions provided, therefore, just one additional grievance in a period of ever-increasing tension - although one which the British were all the more likely to resent, given the almost total lack of United States interests in the region. A general Near Eastern settlement had to be postponed

1. Viscount Grey to the Prime Minister, 17 October 1919, C.P.89, CAB.24/92.

2. J. Davis, Reminiscences, Columbia, p.136.

3. Dayer, op.cit.; and Cabinet papers, April-May 1920, in CAB.24/103-105.

4. Memorandum by Sir Austen Chamberlain, Chancellor of the Exchequer, 11 May 1920, C.P.1209, CAB.24/105.

pending the American decision as to whether to assume the mandates for Armenia and Constantinople, whilst United States criticisms of the Anglo-Persian Agreement fuelled Persian opposition to its terms.¹ But overriding this in importance was the question of oil, which by the spring of 1920 was seen as a significant factor in the growing anti-British feeling prevalent in the United States.² Lord Hardinge of the Foreign Office clearly saw oil as the motivating factor in America's Near Eastern policy, commenting 'They are only thinking of oil'.³ Indeed, by mid 1920 the clamour against British oil policy in the United States had reached such proportions that Geddes was informed 'Should the oil question show signs of becoming acute, instead of being a passing phase of anti-British feeling, we can, if you wish, send out an expert to assist you in dealing with it'.⁴ In October 1920, Geddes placed the dispute over oil resources in context

Again, this country has now awakened to the fact that it is no longer so economically independent of the rest of the world as it was in the past. The waste of raw materials such as timber and oil which has gone on for two generations has resulted in a situation which causes great apprehension as to the future, and this apprehension has been naturally directed by the parties interested into anti-British channels, since a great portion of the unexploited areas of the world are under British rule or influence.⁵

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1. This is discussed in Chapter 3.
 2. Geddes to Foreign Office, 29 April 1920, D.B.F.P., 1st Series, Vol.XIII, p.66.
 3. Minute by Lord Hardinge, 30 April 1920, on E4005/56/44, F.O.371/5107.
 4. Foreign Office to Geddes, 7 May 1920, E4220/56/44, F.O.371/5108.
 5. Geddes to Foreign Office, 18 October 1920, A7615/7615/45, F.O.371/4612.
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In virtually every area of dispute, friction was to escalate in late 1919 and early 1920. During this period, also, Senate debated, and finally refused to ratify, the Treaty of Versailles and the integral covenant of the League of Nations. In August 1920, in a comprehensive interview with Ambassador Geddes, Under Secretary of State Norman H. Davis expressed clearly American suspicion of, and irritation with Great Britain, on a number of issues - including oil.¹ It is in this context that one must examine the Anglo-American controversy over Mesopotamian oil of 1919-1921.

In formulating its response to the American initiatives on oil, the British Government had to take into account, not only its relationships with the United States, but its position in Mesopotamia and its existing commitments with regard to Mesopotamian oil. As was discussed in the last chapter, by the Armistice of Mudros (or, in the case of Mosul, shortly after it) Great Britain was in possession of most of Mesopotamia. It had been assumed at an early stage in the war that the Basra vilayet, at least, would be incorporated into the British Empire; the plans for the Baghdad vilayet provided for an Arab government which would, however, be little more than a facade behind which the British would hold the main power.² As a consequence of these assumptions, the British wartime administration of occupied territory (Basra had been occupied in 1914 and Baghdad in 1915) under the Chief

1. Memo by Norman H. Davis, U.S. Under Secretary of State, of a conversation with the British Ambassador, 20 August 1920, 711.41/125, R.G.59, N.A., M581/1.

2. This is discussed in a number of sources, but see, for example, Kedourie, pp.176-177; Sluglett, ch.1; Mejcher, Imperial Quest, ch.1; Kent, Oil and Empire, ch. 7; Busch, pp.3-55; and John Marlowe, Late Victorian: The Life of Sir Arnold Talbot Wilson (London, 1967), Part 2. On the significance of Mosul oil, see C.P.120, CAB.24/93.

Political Officer, Sir Percy Cox and his assistant Colonel A.T. Wilson had not hesitated to institute something more than the usual - minimal - degree of control. Instead, they had introduced an Indian style administration, currency and judicial system in both vilayets. After the war, however, pending the grant of a mandate, the British Government hesitated to replace this temporary regimen with a more permanent, Arab-dominated government. Meantime, during the two year hiatus which preceded the creation in November 1920 of the first Arab Council of Ministers, resentment in Mesopotamia grew at what was virtually an alien superstructure of British officers, served by Indian subordinates, which governed their country.¹ In the spring and summer of 1920 this was to result in an outbreak of violence and revolution,² which led to the appointment of Sir Percy Cox as Civil Commissioner on 1 October 1920, and the rapid establishment of an Arab Council of State under the Naquib of Baghdad. The rebellion, and the post-war depression in Great Britain which coincided with it, led to vociferous cries amongst press, parliament and public for retrenchment and economy in the Middle East.

In 1918 it had appeared as though Great Britain had a completely free hand to determine the future government of Mesopotamia; by October 1920 that hope had turned sour. The same

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1. On 1 August 1920, of 500 major civil administrative posts, 473 were held by British, 7 by Indians, and only 20 by Arabs. Of 5,886 minor posts, 2,209 were held by Indians. 'Report by the High Commissioner on the Development of Iraq 1920-5', Confidential Print, M.E.No.11, Colonial Office Records, Public Record Office, London (hereafter C.O.) 935/1.
 2. Mejcher, Imperial Quest, ch.3; Busch, ch.8; and Aaron S. Klieman, Foundations of British Policy in the Arab World: The Cairo Conference of 1921 (Baltimore, 1971), (hereafter Klieman), ch.4.

was to be true of Mesopotamian oil. In 1918, all that seemed certain was that Britain would benefit from the oil riches of Mesopotamia; through which company (if any) was the only question to be decided. It seemed that Whitehall could formulate its policy free from any prior commitments. Anglo-Persian had been informed on 23 November 1915 that the Foreign Office Agreement of 1914 no longer possessed any legal validity, and in an important minute written in April 1918 it was argued that the British Government was free to deal with the oil question solely in the light of present or future considerations.¹ It seemed, therefore, as though the TPC had been abandoned, together with the joint Anglo-German initiative it represented. In early 1919, however, the British were beginning to reconsider their position. During the war, the Deutsche Bank's holding in the TPC had been sold to a government nominee in case His Majesty's Government found it convenient to maintain the validity of the oil concession granted to that company for Mosul and Baghdad. In February 1919, a leading Foreign Office official, Louis Mallet, concluded that

...although there are doubts whether it would be possible legally to maintain that a concession was formally granted ...yet our position is sufficiently strong, and our moral claim so good that it is recommended that we should proceed on the assumption that our right is unquestioned. 2

In view of later developments, it is interesting to note that the Foreign Office was quite prepared to concede that the legal position of the TPC was shaky.³ Nonetheless, the decision was made to use

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1. Memo on the TPC by Edmund Parkes, 27 April 1918, A44/44/45, F.O.371/5638.
 2. Minute by L. Mallet, 3 February 1919, on 44/19165/21519, F.O.371/4209.
 3. Ibid; and minutes and correspondence on 44/19165/42678, F.O.371/4209.
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the TPC in order to incorporate Royal Dutch-Shell into the British oil strategy. It also offered a useful vehicle whereby the French could be compensated for the surrender of Mosul and hence - the Foreign Office hoped - prevented from allying themselves with the Americans: 'It was mentioned that the Americans, through Mr. Hurley, had been approaching the French on the question of oil,...'.¹ After a series of abortive agreements, the final result was the oil agreement signed on 24 April 1920 as part of a comprehensive settlement of Near Eastern questions at San Remo. By this agreement, France and Great Britain were to co-operate, insofar as existing legislation permitted, in exploiting oil in Roumania, Asia Minor, Russia, Galicia, the French colonies and the British Crown Colonies. More specifically, in Mesopotamia, the French were to have 25% of the oil if it was developed by the Government, or a 25% shareholding in any private company, such company to be under permanent British control.² However, whilst Great Britain was apparently committed to the TPC, Whitehall also had to abide by a Cabinet decision, taken on 23 January 1920, that the oil resources of Mesopotamia should be used for the benefit of the state, not for the profits of commercial companies³ - a decision apparently in contradiction of the whole TPC strategy.

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1. Notes of a meeting held in Paris, 1 February 1919, 44/19165/62702, F.O.371/4209. This strategy, of negotiating an Anglo-French oil agreement to prevent the French turning to the United States continued to be regarded as important throughout 1919. See Memo by Sir Hamar Greenwood on the Anglo-French Agreement, 6 December 1919, C.P.259, CAB.24/94; Cabinet Conclusions, 10 December 1919, CAB.12(19), CAB.23/18; and Mejcher, Imperial Quest, pp.110-112.
 2. The Oil Agreement is reproduced in Hurewitz, II, pp.75-77. For the San Remo Conference, see D.B.F.P., 1st Series, Vol.VIII.
 3. Cabinet Conclusions, 23 January 1920, Cab.8(20), CAB.23/20.

Whilst the decision-making process was in progress, no concession could be granted to the TPC; nor, indeed, could there be in Mesopotamia a government with the legal authority to issue such a concession until the Treaty of Sevres had been ratified, and a mandate issued by the League of Nations. In view of this, and the total lack of any legitimate competing claim held by American interests, it might be assumed that the United States would have no reason to make Mesopotamian oil the subject of diplomatic representations. However, initially the Mesopotamian issue was to be used as little more than a lever to assist American activities in another mandated territory. For whilst no American company held concessions in Mesopotamia, the Standard Oil Company of New York did have certain claims in Palestine. Early in 1919, at the instigation of Socony, the State Department raised the matter of the treatment of that company's claims with the Foreign Office, thus, in effect, opening up the whole question of the policy to be adopted by a power occupying ex-enemy territory in the Middle East toward the grant or confirmation of concessions, particularly those still incomplete in 1914. In response to American representations, the Foreign Office was forced to evolve a policy toward concessions, instead of leaving the whole question to be settled by the terms of the treaty of peace. By August 1919, it had decided that there should be no surveying, prospecting or drilling operations in occupied enemy territory, until such time as the treaty of peace with Turkey was ratified, and the mandate in force.¹

Unfortunately the War Office, in official charge of the military administration in Mesopotamia, had already infringed this policy by allowing Shell geologists, ostensibly working

1. The evolution of this policy is discussed in Chapter 4.

for the military authorities, to survey the desert for a suitable pipeline route, and to operate a refinery. Although the Foreign Office had been informed of these developments, initially it had shown little concern.¹ However, once the State Department was aware of these activities, it instructed Ambassador Davis to request yet again that Socony be permitted to carry out the preliminary investigation of its Palestinian claims. This he did in October 1919, suggesting that a distinction might be drawn between the procuring and operation of new concessions, which could be forbidden, and the simple investigation of existing claims, which might legitimately be permitted to proceed.² At this stage, therefore, events in Mesopotamia, where there were no American claims, were being used purely to advance the position of Socony in Palestine. The Foreign Office, however, was already concerned that the next step might be representations by the State Department to open the door in Mesopotamia, in which case

We shall have to be careful that the various British firms on whose activities we have placed a ban are not left out in the cold in the rush which will then ensue. 3

It was, therefore, determined to maintain its policy rigidly,⁴ despite the fact that the Shell geologists - and the Zionists in Palestine - had already infringed it.⁵ Indeed, it even tried to

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1. For the lack of reaction in the Foreign Office, see correspondence and minutes on 44/19165/103278 and 131829, F.O.371/4209.
 2. J.W. Davis to Lord Curzon, 31 October 1919, 44/19165/148099, F.O.371/4209.
 3. Minute by G. Kidston, 1 October 1919, 44/19165/13829, F.O.371/4209.
 4. 44/19165/137277, 138843, 145183 and 151730, F.O.371/4209.
 5. Minute by Kidston, 8 November 1919, on 44/19165/148099, F.O.371/4209.
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impose its total ban in areas of Mesopotamia where Anglo-Persian had a valid claim to operate, both on the grounds of military necessity, and because of the peculiar legal status of the 'transferred territories'.¹ India Office arguments that American protests could thus be adequately answered were brushed aside by the Foreign Office, which felt that such reasons would not satisfy the United States, but would '...merely suggest an industrious but not too successful search for justification and a guilty conscience. Qui s'excuse so elaborately, s'accuse'.² Not only was there a fear that the United States Government might seize upon any slight infringement of the declared concessions policy in Mesopotamia in an attempt to open the door for its oil companies, but the Foreign Office was also concerned at the possible actions Standard Oil might take on its own behalf. At best, it feared that the hated combine might take any opportunity, however slight, to obtain rights which it could later insist should be upheld;³ at worst, the Foreign Office was alarmed - and convinced - by the growing volume of reports that Standard Oil geologists stationed in Baghdad were giving financial aid to the nationalists.⁴ Thus, even before the status of the TPC and British oil policy in Mesopotamia was raised

1. See Chapter 5.

2. Minute by D.G. Osborne, 3 February 1920, 44/19165/174314, F.O.371/4209. See also file 20/44, F.O.371/5084-5086.

3. Minute by E. Weakley, 13 November 1919, on 44/19165/148099, F.O.371/4209.

4. The reports began in June 1920. See India Office to Foreign Office, 23 June 1920, E7127/20/44, F.O.371/5084; and periodic correspondence on the 20/44 file, F.O.371/5084-5086. Osborne commented that 'They [the Standard Oil Company] are as powerful and far more efficient than the U.S. Govt. [sic]'. Minute by Osborne, 18 May 1920, on E4892/56/44, F.O.371/5107.

formally by the United States, the British Government was treading very carefully in order to avoid possible American repercussions of the kind it faced in Palestine.

In doing so, however, it had to contend with the inherent complexities of a British oil policy that sought to use Mesopotamian oil as a secure source of Admiralty fuel oil; as a vehicle to bring the Royal Dutch-Shell group under British control; as part of a wider political bargain with France; and, in addition, according to a Cabinet decision of 23 January 1920, as the ultimate solution to public pressure for a reduction in Middle Eastern expenditure: 'It was suggested that the oil resources of Mesopotamia were so extensive that sufficient revenue should be forthcoming from them to pay for the whole administration of the country...'. With the last objective in mind, it was critical to commence development as rapidly as possible, regardless of whether the mandate had actually been ratified.

This, however, was in direct contradiction with yet another policy: the stand-still on concessions imposed by the Foreign Office, essentially to keep the Americans at bay. That Office, therefore, protested strongly at the suggestion that the surveying of the oilfields should continue, in order to ensure that once the mandate was issued, development could commence without further delay. It was decided, however, that the surveying should proceed nonetheless, officially on behalf of the state:

It was pointed out that inasmuch as the country was in British occupation and the whole expense of the campaign had fallen on the British Government the Standard Oil Company had no locus standi and no reason for complaint. 1

1. Cabinet Conclusions, 23 January 1920, Cab.8(20), CAB.23/20.

The Foreign Office therefore took the precaution of insisting that the Shell experts working on behalf of the military authorities should be paid for out of Army funds.¹ It would appear that the main pre-occupation of the British Government was to retain Mesopotamia, including Mosul, and to develop it fast 'since the oil-bearing regions of Mosul are essential to the revenues on which the future development of the whole country will depend'.²

Gradually, some coherence was emerging out of the confusion, although Sir John Cadman, head of the Petroleum Executive, was probably accurate when he informed Ambassador Davis in mid-May that the Government's policy was not yet settled.³ One decision yet to be taken was whether the Mesopotamian oilfields were to be developed by state or private working. However, in April 1920, it must have appeared as though the United States was being kept at bay, with the controversy on Palestine apparently in abeyance,⁴ and a potential Franco-American alignment averted by the San Remo Agreement. The British, therefore, could afford a little quiet confidence: 'I do not think we need mind if the Americans succeed in obtaining some control of the Baku oilfields. We have plenty of oilfields to develop'.⁵ However, this confidence was misplaced. Pressure had already been brought to bear upon the American State Department by leading representatives of

1. Correspondence and minutes, February 1920, E680/20/44, F.O.371/5084.

2. Cabinet Conclusion,, 23 March 1920, Cab.16(20), CAB.23/20.

3. J. Davis to U.S. Secretary of State, 18 May 1920, 800.6363/126, R.G.59, N.A.

4. See Chapter 4.

5. Minute by Lord Hardinge, 18 May 1920, on E4892/56/44, F.O.371/5107.

other government departments, Congress, and the oil industry to make representations to the British so as to secure the open door in Mesopotamia. This it found difficult to do, in view of the absence of any legitimate American claims it could uphold. However, the informal allocation of mandates at San Remo, coupled with the Anglo-French oil agreement, afforded the opportunity for the State Department to reopen its diplomatic correspondence on 12 May 1920 - this time employing the abstract principle of economic rights in mandated territories.

The Foreign Office had, even prior to this, been considering the various facets of the 'oil question', in response to concerned despatches from Ambassador Geddes in Washington. At his request, the Petroleum Department had prepared a comprehensive memorandum on the world oil situation, in which particular emphasis had been placed upon the vast American production of petroleum. Yet,

Notwithstanding the enormous predominance [in production]...the United States have taken the lead in endeavouring to prevent other countries acquiring oil concessions in other parts of the world, notably Latin America, and in passing legislation to restrict foreign companies working in the United States. The experience of the war has shown the danger of dependence on foreign supplies and the United States cannot well complain if His Majesty's Government should decide to follow their example. 1

The Foreign Office had also given thought to a possible line of defence should the San Remo Oil Agreement be attacked. Not only did the French need a secure source of oil, but 'She is accepting

1. Petroleum Department to Foreign Office, 5 May 1920, E4220/56/44, F.O.371/5108.

the responsibility of administering part of Asiatic Turkey and therefore not unreasonably claims a share in the development of its oil resources....'.¹ It was as well that the Foreign Office had already considered the issue, for on 12 May 1920 the United States Ambassador addressed a formal note to Lord Curzon,² the Foreign Secretary, a note written in the knowledge of the - yet unpublished - San Remo Oil Agreement,³ but making no reference to it. Instead, the United States took the opportunity of the allocation of mandates at San Remo, to raise issues of principle, relating to equal economic opportunity in mandated territory, and the claim of the United States Government, although not a member of the League of Nations, to approve the draft mandates. However it was assumed - rightly - by the Foreign Office that these American protests related to the concrete example of the oilfields.⁴

The State Department had been pleased to be afforded an opportunity to reopen a diplomatic correspondence effectively closed by Great Britain's forceful assertion of her concessions policy, for it had become increasingly concerned that nonetheless the British intended to monopolize the Mesopotamian oilfields.

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1. Lord Curzon to Geddes, 7 May 1920, D.B.F.P., 1st Series, Vol.XIII, p.256.
 2. J.W. Davis to Lord Curzon, 12 May 1920, For. Rel. 1920 Vol.II, pp.651-5. The diplomatic correspondence that resulted is well covered in Shwadran, pp.195-209; Stocking, pp.40-65; DeNovo, American Interests, pp.162-184; and Davis, British Oil Policy, pp.121-127.
 3. H.C. Wallace, U.S. Ambassador, Paris, to U.S. Secretary of State, 3 May 1920, 800.6363/108 and 109; and same to same, 7 May 1920, 800.6363/113, all in R.G.59, N.A.
 4. Minute by Weakley, 20 May 1920, on E4679/1331/44, F.O.371/5212.

Initially, despite the **fears** of the oil industry and the Commerce Department, most permanent officials in the State Department, such as Frank Polk, were not particularly concerned. Nor was Ambassador Davis, who expressed the apparently erroneous view that

...if representations are made to the British Foreign Office, some concessions may be made to American interests, particularly if these representations are made before Congress has ratified the Peace Treaty. 1

However, by the end of 1919, negotiations on the Treaty of Sevres and the negotiation of an Anglo-French oil agreement caused many officials to change their mind.² John Davis felt that the British response to many of the questions in the Middle East was governed by oil,³ whilst even the pro-British Polk was convinced that the British Empire was following an exclusive policy towards petroleum.⁴ Nor was the United States completely satisfied by the Foreign Office explanations of the Shell geologists' activities.

A month before formal representations were made to the Foreign Office, the State Department's petroleum expert, A.C. Millspaugh, summed up the position in an important memorandum. His ultimate goal was to suggest the possibility of a diplomatic agreement with the British Government: nonetheless, he was extremely critical of British policy. In view of the stance adopted by the State Department's later diplomatic notes, it is

1. J. Davis to U.S. Secretary of State, 6 November 1919, 867.6363/7, R.G.59, N.A., M353/67; and Frank Polk to J. Davis, 19 October 1919, Box 4, Part 1, Series II, Alphabetical Correspondence Personal, Davis MSS, Yale University.

2. J. Davis to R. Lansing, 23 December 1919, Vol.50, Lansing MSS.

3. J. Davis to U.S. Secretary of State, 28 February 1920, 867n.6363/9, R.G.59, N.A., M353/67.

4. Polk to J. Davis, 13 March 1920, 841.6363/29A, R.G.59, N.A., M.580/145.

significant that Millspaugh commenced his argument with the statement that 'It is necessary that the United States have a share in the oil production in the Near East'. His primary objective was explicitly stated to be the need for oil and, in particular, a secure American source in the Mediterranean, Red Sea or Indian Ocean areas. In this region, he concluded, Palestine and Mesopotamia were the only areas not actually closed to American companies. Even here, however, there was evidence that the British were not carrying out the policy that they had announced would be in force during the period of military occupation. Millspaugh therefore concluded that '...unless the British agree to specific proposals for the period subsequent to the military occupation, United States interests will be excluded from these territories'. Those proposals, he made clear, should include the cancellation of the TPC concession. It was only after exploring the pragmatic American need for oil in the Near Eastern region, that Millspaugh then expanded upon the principle of equality of opportunity.¹

Thus, the State Department had begun to consider the desirability of representations to Great Britain in order to keep American options open in Mesopotamia even before it received reports that the British and the French were planning to work together in Mesopotamia and Syria to keep the Americans out² - reports apparently substantiated by San Remo. The hardening suspicion of British duplicity was fuelled by reports from the

1. Memo by A.C. Millspaugh on the Near Eastern Oil Situation, 9 April 1920, 800.6363/166, R.G.59, N.A.

2. U.S. Embassy, Paris, to State Department, 19 April 1920, 890G.6363T84/-, R.G.59, N.A., M722/24.

consul-general in London, Robert Skinner,¹ and finally, after Ambassador Davis' approval, formal representations were made to the Foreign Office.²

No reply was immediately forthcoming, however, and in the meantime evidence accumulated suggesting that additional representations might be desirable. Further reports substantiated earlier statements that Anglo-Persian and Royal Dutch-Shell representatives were active in Mesopotamia.³ Although it was strongly suspected that the British had not yet developed a coherent oil policy, and might therefore be swayed by American representations on this, and other points,⁴ there is no doubt that publication of the San Remo oil agreement made a very bad impression upon the American public in general, and Ambassador Davis in particular.⁵ In addition, the State Department was receiving its first - somewhat distorted - reports of the TPC claim, W.C. Teagle of Jersey Standard informing the Secretary of State of a rumour he had heard. According to this, the British Government would argue that, whilst it would give the nationals of all other countries equal rights with British nationals, there were in fact no oil concessions available,

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1. Robert Skinner, London, to U.S. Secretary of State, 19 April 1920, 841.6363/43; and same to same, 10 May 1920, 841.6363/57, both in R.G.59, N.A., M580/146.
 2. J. Davis to U.S. Secretary of State, 7 May 1920, 841.6363/44, R.G.59, N.A., M580/146; and J. Davis to Lord Curzon, 12 May 1920, For. Rel. 1920 Vol.II, pp.651-5.
 3. Oscar S. Heizer, Consul, Baghdad, to U.S. Secretary of State, 9 June 1920, 867.6363/37, R.G.59, N.A., M353/67.
 4. Memo by Millspaugh, 5 June 1920, 841.6363/70, and J. Davis to U.S. Secretary of State, 21 May 1920, 841.6363/67, both in R.G.59, N.A., M580/146.
 5. Entry for 23 July 1920, Vol.17, House Diaries, Yale; J. Davis to U.S. Secretary of State, 26 July 1920, 800.6363/157, R.G.59, N.A.; and J. Davis to Hugh Campbell Wallace (U.S. Ambassador, Paris), 3 August 1920, Box 4, Part 1, Series II, Alphabetical ~~Correspondence~~ Personal, Davis MSS, Yale.

because before the war they had been given to the D'Arcy group, which had transferred them to Anglo-Persian: 'It would seem clear from this that the British Government has no intention of giving anyone other than themselves the right to exploit for oil in Mesopotamia'.¹ This opinion was supported by United States Consul Thomas Owens in Baghdad:

I believe most of the English in this part of the world are imperialists of the worst sort, who seem to believe that this country has been won by force of British arms and, therefore, belongs to them to exploit. 2

In view of this accumulation of reports, all tending to substantiate American doubts of British bad faith, the State Department therefore instructed Ambassador Davis to address another note to Lord Curzon, which he did on 28 July 1920. In this, he requested a reply to his last note, and, insisting that the treatment of the economic resources of regions under mandate was a matter of principle, protested at the San Remo Oil Agreement. For

This Government desires to record its view that such an agreement, in light of the position the British Government appears to have assumed toward Mesopotamia and its economic resources, will as a practical matter result in a grave infringement of the mandate principle,..... 3

In view of this reiteration of the United States position, the British Foreign Office was faced with the task of formulating a reply at the earliest possible opportunity. It had, however,

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1. W.C. Teagle to Bainbridge Colby, 10 June 1920, 867.6363/20, M353/67.
 2. Thomas Owens, U.S. Consul, Baghdad, to U.S. Secretary of State, 28 July 1920, 890G.00/3, R.G.59, N.A., M722/18. To judge from the tone of his despatches, Owens was extremely anti-British.
 3. J. Davis to Lord Curzon, 28 July 1920, For. Rel. 1920, Vol.II, pp.658-9.
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been hoped to delay any response, for two major reasons. Firstly, whilst the British had now decided that, in their eyes at least, the TPC claim to the oilfields of Mesopotamia was valid, they had still to decide whether the oil was to be exploited by state or private working, and, if the former, by which state - Mesopotamia or Great Britain. If it were decided to reserve the oil for the new Mesopotamian State, this would provide a possible argument against United States representations: albeit a rather weak one, in view of the promise to France that she should have a 25% share. If, however, the oil was to be exploited by a private company, the United States Government could be informed that Great Britain intended to adhere to the spirit of the draft mandate (by implication putting the United States in a weak position as a non-member of the League), but that the TPC had a valid claim which the government was bound to honour. In such an argument, the TPC claim could be equated with the Socony claim in Palestine.¹

An additional cause for concern was that the oil question was being used as part of the accelerating election campaign in the United States, particularly in view of the close relationship, dating from the war, between Jersey Standard and the Democratic administration: 'This new orientation of the oil interest vis-à-vis the Administration cannot but increase to a sensible degree the dangers to Anglo-American relations inherent in the whole question'.² The Foreign Office was particularly

1. Minute by Sir John Tilley to Lord Hardinge, May 1920, on E4679/1331/44, F.O.371/5212.

2. Geddes to Lord Curzon, 21 May 1920, D.B.F.P., 1st Series, Vol.XIII, pp.273-4.

concerned lest, if it allowed itself to be drawn into a diplomatic dispute during the anti-British atmosphere created in the run-up to the November election, '...sooner or later something will be said which will handicap us in our Mesopotamian policy...'.¹ Nonetheless, during June, consideration was being given to the terms of a possible reply. Having been assured by the Petroleum Department that no American citizens had valid claims in Mesopotamia, whilst the United States already controlled the greatest proportion of the world's oil production,² Foreign Office officials felt that they could afford to 'carry out our policy regardless of clamour from aggrieved interests'.³ And consideration was also being given to the vexed question of private versus state exploitation, with Colonel A.T. Wilson and E. Weakley, the Foreign Office's petroleum expert, both strongly advocating private exploitation,⁴ although Weakley also expressed the opinion that such decisions should be left in abeyance pending the creation of a new Arab administration.⁵ No decision had been taken, however, when the United States note arrived in July.

Despite the steadily worsening state of Anglo-American relations, and the deteriorating position in Mesopotamia, there is no indication that Foreign Office officials even considered surrendering to American pressure. Rather, it would appear that

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1. Minute by R. Vansittart, 4 June 1920, on E5631/1331/44, F.O.371/5212.
 2. Petroleum Department to Foreign Office, 10 June 1920, E6265/1331/44, F.O.371/5212.
 3. Minute by R. Sperling, 5 June 1920, on E5631/1331/44, F.O.371/5212.
 4. Correspondence and minutes on E8077/20/44, F.O.371/5085.
 5. Minute by Weakley, 29 July 1920, E8978/20/44, F.O.371/5085.
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their opinion, that the Americans had no locus standi, hardened with this renewal of United States representations. This is certainly true of E. Weakley, the Office's petroleum expert, and R. Sperling of the American Department. The latter expressed the position concisely: '...I believe that we intend if we can to exclude the Standard Oil Co. [sic] from Mesopotamia. In that case we had better say so at once'.¹ He then proceeded to outline the British position, on the surface at least, a strong one. First and foremost, the United States was not a member of the League, and thus had no rights under the draft mandate. Although one possible weakness existed in the British case, the San Remo Agreement, Weakley had an answer for that: 'The point is that the French are in a position, in Syria, to give us something we want, i.e. access to the Mediterranean for oil, but there is no preferential treatment whatever,...'.²

In addition, Sperling suggested the possibility of moving from defence on to attack, in view of certain domestic measures adopted in the United States. He pointed to the preferential treatment given to her own shipping by the Jones Act, despite the terms of the Anglo-American commercial treaty; and the powers taken by the Minerals Leasing Act to exclude British companies from American oil lands. An additional reason for British obstinacy, though not actually mentioned in the minutes, was that Standard Oil was suspected of fomenting trouble in Mesopotamia. The Foreign Office was clearly determined to compose a hard hitting reply:

1. Minute by Sperling, 31 July 1920, on E9082/1331/44, F.O.371/5212.

2. Minute by Weakley, 30 July 1920, on *ibid.*

I suggest an answer on the above lines, because in matters of this kind the U.S. understand the lex talionis and no other. Also we shall earn their respect which is a better foundation for friendship in the long run than contempt. 1

It is notable that the Foreign Office reply of 9 August 1920, drafted by Weakley, and with very little redrafting by other officials, adopted an attacking tone, both on the subject of oil generally, and Mesopotamia in particular. Contending that British oil interests had not been given privileged rights in Mesopotamia, and that only the military authorities were permitted to exploit the oil deposits, the note then attempted to correct '...the very mistaken impressions, which appear to be current in the United States in regard to the oil policy of His Majesty's Government'. The discrepancy between the British Empire's production of petroleum, at only 2½% of the total world production (with Persia, 4½%), and the United States, with 70% (or, if Mexico was included, over 80%) was emphasized:

There is, in any case no justification for supposing that Great Britain, whose present oil resources are altogether insignificant in comparison, can seriously threaten American supremacy...

The nervousness of American opinion, concerning the alleged grasping activities of British oil interests, appears singularly unfortunate in view of these facts.

In an attacking stance, reference was made to the exclusion of British oil interests from Haiti and Costa Rica, apparently at the instigation of the United States. The weak position of the United States, as neither a belligerent power in the Near Eastern theatre of war, nor a member of the League of Nations, was obliquely emphasized, whilst the American request to be consulted

1. Minute by Sperling, 31 July 1920, on E9082/1331/44, F.O.371/5212.

on the terms of the mandates was rejected. American criticisms of San Remo were met by the practical justification suggested by Weakley, and the TPC claims were outlined, and equated with those of Socony in Palestine.¹ The tone of this Note, clearly resentful of American interference, and the attempt by the United States to have the spoils of victory in the Near East without the responsibility, was guaranteed to anger the State Department, in the current anti-British atmosphere. Nor was that Department likely, in view of the existing anxiety about oil, to accept British contentions that the United States was in a uniquely strong position vis-à-vis oil supplies; and (by implication) that if the United States intended to exclude the British from the Monroe Doctrine area, it should in turn allow the British to retain their hegemony in the Near East.

In deciding upon the nature of its reply, the United States Government originally intended to reflect the heavy factual emphasis of the British Note. In an interdepartmental conference held to consider the American response, Van S. Merle-Smith of the State Department 'emphasized the importance of avoiding a discussion of principles and generalities in our reply and to stick to facts'.² It is unclear from the notes on the conference why it was felt important to avoid a discussion of principles, It might, however, have reflected American awareness that, by virtue of their non-belligerent status, and their failure to join the League, they were on weak ground in demanding equal

1. Lord Curzon to Ambassador J.W. Davis, 9 August 1920, For. Rel. 1920, Vol.II, pp.663-7.

2. Memo of a conference on Lord Curzon's note and preparation of a reply, 13 August 1920, 800.6363/237, R.G.59, N.A.

economic rights in mandated territories. However, government officials apparently felt confident that they could challenge many of the facts presented in the British Note. In addition, it was planned to emphasize the difference between present production of oil, and future reserves; and to challenge the validity of the TPC's claim, on which the State Department commenced to gather information.¹

One serious weakness in the United States case was the lack of any valid American counter-claims to that of the TPC. During 1920, however, certain American oil companies, such as Socony, were attempting to acquire such rival rights by buying from the Deutsche Bank options ostensibly held by the Anatolian and Baghdad railroads for the construction of a railroad across Mesopotamia, such options also to cover the mineral rights over a 20 kilometre strip each side of the line. These options had, of course, never been converted into full concessions; and the legal division of the State Department therefore concluded that 'The rights which these companies have...is tenuous and at best is probably only the right of preference,...'. Nonetheless, the acquisition of these options by American interests would not be entirely valueless for

The alleged concession to the Turkish Petroleum Company probably has no validity as it appears, from papers at hand, to have been a mere naked promise from a Government official who, in and of himself, had no power to grant or to agree to such a concession. 2

Foreign Office officials also viewed with alarm American negotiations with the German interests, seeing them as clear evidence

1. See correspondence on 800.6363T84/3 & 7, R.G.59, N.A., M722/24.

2. Memo by F.M. Anderson, 18 November 1920, 890G.6363/25, R.G.59, N.A., M722/22.

that American oil companies were determined to obtain a share of Mesopotamian oil by hook or by crook:¹

It certainly looks as though the Americans mean trouble over all concessions in mandated territories, and it is difficult to see how they can be placated. I imagine that America is now so full of money that there is plenty to spare to utilise in concessions in Turkey, Persia, China and elsewhere. 2

In an unusual reversal of attitudes, however, by early November that same year certain Foreign Office officials were considering the possibility of placating the Americans by admitting them to a minority interest in the TPC. No firm decision had yet been made on Mesopotamian oil policy and, indeed, in late November the Foreign Office resisted suggestions of a possible compromise in Palestine, in order to retain a completely free hand in Mesopotamia.³ The uncertainty in Whitehall as to what policy to follow towards Middle Eastern oil was intensified by two additional factors which had to be taken into account. The alignment of the new Republican administration in the United States vis-à-vis the Standard Oil companies had yet to be determined; whilst in Mesopotamia the new Arab Government might be expected to express an opinion on the future development of its most significant natural resource. Confidence that the British could dominate the oilfields of Mesopotamia in the face of American opposition was diminishing, therefore, and in early November Weakley and Sir John Tilley were apparently in agreement that the admittance of the Standard Oil Company into the TPC would benefit both Great Britain

1. Minute by Weakley, 28 August 1920, E10012/1331/44, F.O.371/5212.

2. Minute by Lord Hardinge, n.d., on *ibid.*

3. Sir John Tilley, Foreign Office, to Sir John Cadman, Petroleum Department, 29 November 1920, E14341/131/44, F.O.371/5140.

and Mesopotamia. Yet again, therefore, the TPC was envisaged as the vehicle for accommodating British oil policy. Sir John Cadman objected to this suggestion, on the basis that Standard Oil would be unwilling to accept a minority shareholding. A possible alternative was presented, however, when Cadman voiced the opinion that the TPC could not expect an absolute monopoly in Mesopotamia, but would almost certainly have to choose a limited area for exploitation. Tilley therefore proposed to the Petroleum Department that the TPC concession should be changed to one of priority and choice only, rather than monopolistic control over the entire Mesopotamian oilfield, and that the United States Government should be so informed.¹ The Petroleum Department concurred, but pointed out that Cabinet sanction would have to be obtained.² Thus, the way seemed open for a compromise, which would validate the TPC claim, maintain the 'open door', and, presumably, end United States obstruction of the British task in Mesopotamia.

Although in fact no Cabinet sanction was actually sought, the State Department was soon aware of this development in British opinion. It is not clear how this information was obtained, although there might have been some connection with Sir John Cadman's trip to the United States in late 1920. Millspaugh commented that

Recent unofficial information reaching the Department appears to indicate that the British Government might be willing to admit American interests to a joint participation in a company for the development of the Mesopotamian fields. 3

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1. Minute by Tilley, 3 November 1920, and Tilley to Petroleum Department, 16 November 1920, both on E13385/20/44, F.O.371/5086.
 2. Petroleum Department to Foreign Office, 20 November 1920, and Foreign Office minutes, E14471/20/44, F.O.371/5086.
 3. Memo by Millspaugh, 20 November 1920, 890G.6363/70, R.G.59, N.A., M722/23.
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He was clearly struck by the possibility, which he envisaged in terms of a diplomatic agreement setting up an international syndicate, which would incorporate a representative group of American companies - a scenario which in mid December he presented to a Socony representative.¹ However, one aspect of the British plan which the Americans would be unlikely to accept was the use of the TPC to accommodate the international interests.²

State Department officials were to continue to advocate this scheme, whilst Millspaugh even suggested extending its scope, to encompass a world-wide petroleum agreement.³ However, in Great Britain enthusiasm for commercial co-operation was effectively to die down, and the idea was not resuscitated until late 1921; and then by another department, in face of opposition from the Foreign Office. This surprising volte-face was due largely to the note which, on 22 November 1920, Ambassador Davis forwarded to Lord Curzon. This note, dated 20 November 1920, was, contrary to all precedent, signed by Secretary of State Colby (instead of Ambassador Davis), and was addressed to Lord Curzon by name, rather than by title.⁴ On querying this unusual departure from precedent, Davis was informed that it was a deliberate step 'adopted with high approval for reasons deemed important'. Indeed, the note had been approved by

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1. Memo by Millspaugh, 29 November 1920, 800.6363/325, R.G.59, N.A.; and memo by Millspaugh of a conversation with L.I. Thomas, 13 December 1920, 867.6363/74, R.G.59, N.A., M353/67.
 2. Ibid; and Van S. Merle-Smith to A.C. Bedford, Jersey Standard, 3 February 1921, 867.6363/68, R.G.59, N.A., M353/67.
 3. See Chapters 4 and 5.
 4. Bainbridge Colby to Lord Curzon, 20 November 1920, For. Rel. 1920 Vol.II, pp.669-673.
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President Wilson personally.¹ State Department officials were, however, extremely disturbed by this step - and by the almost immediate publication of the note, without first obtaining the Foreign Office's approval.²

It does not appear that the permanent officials of the State Department were consulted as to the content and the despatch of the note, which was drafted by Colby personally.³ It certainly did not reflect the growing opinion within the State Department that some kind of conciliation might be possible; nor did it reflect the bias of earlier interdepartmental discussions, its emphasis being on the general principle of mandates, rather than the particular issue of oil. Moreover, its tone and its content, in particular its insistence upon the observance of American principles (and American rights vis-à-vis the mandates), were hardly likely to please the Foreign Office - especially Lord Curzon. In his note, Colby reiterated the traditional United States insistence upon equal economic opportunity, and specifically stated that the United States should not be excluded simply because she was not a member of the League of Nations. Indeed, he requested that the United States should be consulted before the draft mandates were submitted to the League Council. Although the emphasis throughout the note was on the importance

1. Colby to U.S. Embassy, London, 24 November 1920, 800.6363/197a, and correspondence on 800.6363/106 and 196a, R.G.59, N.A.; and Colby to President Woodrow Wilson, 19 November 1920, Box 2, General Correspondence 1919-1920, Bainbridge Colby Papers, Library of Congress. Woodrow Wilson had commented on this letter 'Admirable note I approve'.

2. Norman Davis to John W. Davis, 7 December 1920, Box 4, Part 1, Series II, Alphabetical Correspondence General, Davis MSS, Yale.

3. Ibid.

of the mandate principle, with Mesopotamian oil as no more than an illustration of the practical application of that principle, he nonetheless declared that the TPC did not have valid rights, and pointed out that the United States had only one twelfth of the world's oil reserves. Colby concluded by stating that the temporary dominion of the Allied and Associated Powers over the mandated areas '...will be totally misconceived, not to say abused, if there is even the slightest deviation from the spirit and the exclusive purpose of a trusteeship as strict as it is comprehensive'.¹ The hasty publication of the note, only 4 days after it was delivered to the Foreign Office, clearly demonstrated that it was also intended for the attention of the Council of the League of Nations - then in session.

The Foreign Office was of course aware of the fact that the Government which had sent the note had been defeated in the November elections. Nonetheless, its anger was immediately aroused by Colby's communication, and the determination to uphold the position it had adopted in previous notes was strengthened. In a minute on the United States note, Weakley reiterated that the San Remo agreement was totally justified; that the TPC had an undoubted right in Mesopotamia, even if no definite concession; and that either the United States Government or the Standard Oil Company had prevented British companies from working concessions in Haiti and Costa Rica.² The Petroleum Department even exceeded Foreign Office hostility, pointing out that the United States Government apparently demanded the full

1. Colby to Curzon, 20 November 1920, For. Rel. 1920 Vol.II, pp.669-673.

2. Minute by Weakley, 25 November 1920, E14521/1331/44, F.O.371/5213.

rights of membership of the League of Nations, but rejected its responsibilities and obligations. It therefore urged the Foreign Office to maintain any British pre-war rights in the ex-Ottoman Empire, and not to give in to United States pressure, particularly in view of the fact that the Middle East could never be a natural source of oil supply for the United States.¹

Clearly, in such an atmosphere, Cabinet sanction for a policy of conciliation and compromise would be exceedingly difficult to obtain; nor is there any evidence that the Foreign Office would have wished to pursue such a policy. Indeed, in December 1920, the draft mandates were sent to the League for ratification without first consulting or informing the United States: only to be blocked by American representations to the Council. Despite this, the State Department - or, at least, certain permanent officials within it - still adhered to the possibility of international co-operation. In an interesting memorandum, Millspaugh, the main advocate of an Anglo-American agreement on oil, argued that, whilst the United States should demand the right to approve the mandate as a matter of prestige, it was unnecessary then to persevere with opposition, for '... the Mesopotamian mandate is in many respects favorable [sic] to the fundamental position of the United States'.² In February 1921, with the impending inauguration of a new administration, the idea of a diplomatic Anglo-American oil agreement was gaining ground within the State Department. However, this was not the case in the Capitol, where Senators MacKellar and Phelan were urging an embargo on the export of oil from the United States

1. Petroleum Department to Foreign Office, 3 December 1920, E15201/1331/44, F.O.371/5213.

2. Memo by Millspaugh, 8 February 1921, 890G.01/20, R.G.59, N.A., M722/19.

except to countries granting reciprocal treatment to the United States. Nor was it the case in the British Foreign Office, still considering its reply to Colby's last note.

There is no doubt that the introduction of Senator Phelan's bill, and the comments made during debates upon it in the Senate angered and embittered the Foreign Office, already scathing at the content of Colby's note, and the American publication of that note without first requesting British permission.¹ At the same time, United States communications to the League of Nations on the subject of the Near Eastern mandates were delaying the ratification of those mandates,² with frustrating consequences for the administrations of Palestine and Mesopotamia. In such an atmosphere, the Phelan bill, and the 'fight for oil' mentality it engendered, was the final straw. Sperling of the American Department was especially irritated. Commenting that 'Our draft reply to Mr. Colby's last note about Mesopotamia will put a stop to bluff of this sort. The sooner it goes off the better',³ he also suggested

The real remedy is, of course, not to talk but to do things we are accused of doing, and to make it clear that we should not have thought of doing them but for the fact that we are getting the abuse and might as well get the advantages. Nothing would discourage anti-British cranks in the U.S. [sic] more effectually. 4

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1. Minutes on E643/576/93, F.O.371/6363.
 2. Correspondence and minutes, E2472/576/93, F.O.371/6363. See also C.P.3275, CAB.24/127, and C.P.3365, CAB.24/128.
 3. Minute by Sperling, 25 February 1921, on A1287/44/45, F.O.371/5638.
 4. Minute by Sperling, 4 September 1921, on A745/44/45, F.O.371/5638.
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Thus, despite the fact that a new administration would take office in the United States on 4 March 1921, the Foreign Office decided that a formal reply to Colby's note should be prepared as rapidly as possible. In so deciding, it was probably influenced by information received from L.I. Thomas, a prominent American oilman, which, it was felt, made it 'more clear than ever that the United States is going to fight this question pretty hard'.¹ Despite the impending change of administration, the note as drafted was a severe one, and was only sent after considerable amendment, and with the direct concurrence of the Prime Minister, in marked contrast to the note of 9 August 1920. Thus, it was clearly regarded as a significant statement of British policy - one which might have a considerable effect on Anglo-American relations. However, it was also hoped that, by sending the note in the twilight of the old administration, neither the Wilson nor the Harding government would regard itself as obliged to reply: 'Of course the Democrats will take no action on it, but then we do not particularly wish that the Republicans will either'. In order not to sour unreasonably relationships with the new administration, the draft note was amended by deleting the section on the general mandate principle.²

Thus the note, which was finally despatched on 28 February 1921, concentrated almost entirely on the claims of the TPC. In the lengthiest explanation to date of the background and

1. J.C. Clarke, Petroleum Department, to Weakley, 17 February 1921, E2177/382/93, F.O.371/6360.

2. Draft note and minutes, especially minute by R.C. Lindsay, 18 February 1921, E2611/675/93, F.O.371/6363.

nature of that company's claim, Curzon rehearsed its history, emphasized the - in British eyes - binding nature of the Grand Vizier's letter, and thus maintained that the question of oil rights in Mesopotamia could not be treated as an abstract principle, but should be equated with American rights in Palestine:

Apart from the fact that these resources are as yet entirely unproved, I can discern nothing in [the mandate] principle which compels the mandatory power to discriminate against its own nationals, who... secured certain rights..., in order to afford an equal opportunity to other groups which before the war were not actively concerned in the petroleum resources of Mesopotamia. 1

The Foreign Office also continued with the battle of the statistics. Curzon, in his note, drew a distinction between present production (based on fact) and future reserves (based on hypothesis). Moreover, at the suggestion of Ambassador Geddes, a lengthy memorandum on the oil situation, prepared for his guidance by the Petroleum Department, was laid before Parliament as a white paper.² In this memorandum, world production was examined in great detail, whilst controversial issues such as restrictive policy in the British territories, and the rights of the TPC, were also discussed. If it was intended to convince the Americans, it failed in its purpose.³ It revealed clearly, however, that whilst the Foreign Office would be relieved if the Americans abandoned their representations on Mesopotamian oil, it was certainly not intended to concede any part of the

1. Curzon to Ambassador Davis, 28 February 1921, For. Rel. 1921 Vol.II, pp.80-84.

2. Despatch to H.M. Ambassador at Washington enclosing a memorandum on the petroleum situation. Cmd. 1351, 1921.

3. The Commerce Department was particularly scathing in its comments on the memorandum. See the annotated copy of the white paper in file 312:U.K., BFDC, R.G.151, N.A.

British case in order to attain that end. Earlier discussion on the possibility of a commercial compromise had apparently been abandoned completely.

By March 1921 Great Britain's apparently unassailable position with regard to Mesopotamian oil had been considerably weakened. In order to induce the French to surrender Mosul, it had been necessary to promise them 25% of the oil, whilst American representations were delaying the ratification of the mandate, and the confirmation of the TPC concession. In view of the rising tide of Mesopotamian nationalism, apparently fuelled by Standard Oil, the possibility that such confirmation would be difficult to obtain had to be faced. It was becoming increasingly difficult to envisage a solution that would satisfy all the interested parties. A possible answer - the enlarging of the TPC to incorporate yet another facet of British oil policy, the placating of the Americans, was wrecked by worsening Anglo-American relations and mutual suspicion, reflected in the acerbic diplomatic correspondence during the period August 1920 to February 1921. As a consequence, both governments had so committed their prestige to the maintenance of their respective positions that compromise became virtually impossible.

For Great Britain, the problem posed was a particularly difficult one, for she had to combine - or, more accurately, attempt to combine - several strands of policy in deciding her attitude towards Mesopotamian oil. The Admiralty's need for oil, Anglo-French relations in the Near and Middle East, and Great Britain's role as mandatory power for an increasingly turbulent Mesopotamia, had all to be taken into account in

responding to American initiatives. So, too, did the current deterioration in Anglo-American relations. By February 1921, despite a brief flirtation with the idea of incorporating yet another strand - American participation - into its increasingly complex, TPC-based, oil strategy, the decision had apparently been taken to oppose American demands. This decision was taken by the permanent officials of the Foreign Office, without consultation with the Cabinet, and largely as a consequence of extreme irritation with the United States note of 20 November 1920. Clearly, at that point, control over the strategically significant Mesopotamian oil was seen as of more importance than placating the United States.

For the United States, the formulation of policy was far simpler: it essentially reflected, at least for permanent officials, the need for a secure source of foreign oil. It should be emphasized that, in contradiction to many other instances that will be examined later, American representations were not made at the particular instigation of an interested oil company, but as a consequence of growing State Department concern that the Near Eastern oilfields would be closed to American enterprise. This reflects the unusual significance which the State Department placed upon Mesopotamian oil. It may also be surmised that it reflected a worry lest, following the United States rejection of the League, she might be regarded as of little moment in world affairs, and would thus lose the ability to safeguard American opportunities abroad. The mandated territories offered possibly the best mechanism whereby the United States could assert its continued rights in the international scene, even though, in the Near East this right was

very weak. The United States had, of course, never been at war with Turkey, whilst the mandate system had been originally conceived as being very closely linked to the League of Nations, of which the United States was not a member. The initiation of the formal diplomatic correspondence, which came only one month after the Senate's final rejection of the League, was not in defence of a specific American claim, but an assertion of a general right of access to the oil resources of the mandated territories. Despite Colby's efforts to establish the dispute as one of principle, it related very closely to the concrete American need for new opportunities overseas for the economic expansion of its oil companies.

Both sides, having stated their position, seemed determined in the spring of 1921 to uphold their views at all costs. The situation, therefore, appeared to be one of deadlock, with neither government prepared to compromise, and with general bad feeling over the oil question considerably exacerbating the strained state of Anglo-American relations. Foreign Office determination not to surrender to what was regarded as unjustified American pressure had hardened, despite its awareness of the weakness legally of the TPC's claim. Yet, in late 1921 and early 1922, the British Government was ardently to pursue a policy of compromise with the Americans on Mesopotamian oil. This policy was due in part to the influence of the **Colonial** Office, now responsible for the administration of Mesopotamia, in part to changes in Anglo-American relations, both of which will be examined in a later chapter. But it was also due to concurrent developments in two other areas of oil controversy in the Middle East, North Persia, and Palestine. These developments helped pave the way

to reconciliation, and even seemed to offer a possible solution which would avoid the necessity of the Foreign Office publicly acknowledging that its stance on the TPC had been wrong. It is, therefore, to events in these two countries that we now turn.

Chapter Three

The First Gesture Towards Co-operation: North Persian Oil 1919-1922

Whilst, by virtue of the D'Arcy concession, granted on 29 May 1901, the Anglo-Persian Oil Company enjoyed monopolistic rights over the South Persian oilfields, the five northern provinces of Persia were explicitly excluded from the agreement,¹ in order to avoid offending Russian susceptibilities. However, the company was apparently granted a stranglehold over any Northern oilfield by a clause granting it the exclusive right to build and operate oil pipelines across Southern Persia - the only feasible route for the export of oil from the north. Nonetheless, on 9 March 1916, a concession was granted by the Persian Government to a Russian subject, A.M. Khoshtaria,² although it was never ratified by the Majlis, nor did Khoshtaria commence work within five years, as the contract stipulated. The Russian also obtained additional rights, held since 1894 by a Persian subject, Sipah-Salar. In July 1918, however, following the Bolshevik Revolution, the Persian Government declared all Russian concessions - including, by implication, that of Khoshtaria - cancelled. Concurrently, it challenged the validity of the method by which Anglo-Persian calculated its royalties - a dispute not finally settled until

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1. D'Arcy concession, 29 May 1901, Hurewitz, I, pp.249-251.
 2. The text of the Khoshtaria concession is in For. Rel. 1920, Vol.III, pp.351-2. Information on the history of the North Persian concession in the 1920s can be obtained from: Memo by A.W. Ferrin on Persian Oil, September 1930, 891.6363/655; DeNovo, American Interests, pp.283-286; Davis, British Oil Policy, pp.165-198; Longrigg, Oil, pp.39-58; Shwadran, pp.71-78; Yeselson, ch.9; and Michael J. Hogan, 'Informal Entente: Public Policy and Private Management in Anglo-American Petroleum Affairs, 1918-1924', Business History Review XLVIII (1974), pp.187-205.

the Armitage-Smith Agreement was signed in December 1920.¹ Despite this conflict, on 8 May 1920 Anglo-Persian purchased the Khoshtaria claims and, after initial doubts, the Foreign Office finally decided to support the company in claiming that the transfer of the concession was legal.² However, by this period the British were losing their influence in Persia, in the face of rising Persian nationalism, and the need, enforced by economy, to withdraw most of their troops from North Persia. After the coup d'etat of February 1921, the new Persian Government renounced the - as yet unratified - Anglo-Persian Agreement, and on 26 February 1921 signed an agreement with the Bolsheviks.³

By the terms of this Treaty all concessions obtained by Russian subjects before 1917 were returned to Persia. It was, however, stipulated that no returned concession might be regranted to a foreign citizen or company without the consent of the Soviet Government. The Khoshtaria concession was, therefore, apparently cancelled; but a new concession could not be granted in its stead without Soviet consent. Despite this provision, on 22 November 1921 the Persian Majlis approved in principle a 50 year lease to an American company, Jersey Standard. The previous day in the United States, Morgan Shuster, acting on behalf of the Persian Government, had agreed the terms of a deal with Jersey Standard, whereby the company would lend 10 million dollars to the Persian Government if a con-

1. Davis, British Oil Policy, pp.175-178.

2. Lord Curzon to H. Norman, British Minister, Teheran, 30 August 1920, D.B.F.P., 1st Series, Vol.13, pp.600-1.

3. Soviet-Persian Agreement, 26 February 1921, Hurewitz, II, pp.90-94.

cession were approved. The deal soon met with protests, however, both from the Russians because it infringed the Soviet-Persian Agreement; and from Anglo-Persian, which continued to insist that the Khoshtaria concession was valid. Negotiations were therefore opened between the two interested companies, which resulted in an agreement being reached in February 1922, whereby they agreed to work the concession - and underwrite the loan - jointly. However, the Majlis now withdrew the concession because Standard Oil had assigned a share in the lease to another company unknown to them, and opened discussions with another American company, Sinclair Consolidated Oil Corporation. At this stage, with two American companies in direct competition, the State Department professed its complete neutrality. In December 1923 the Persian Government concluded a preliminary agreement with the Sinclair group but, following the Teapot Dome scandal involving that company, the deal fell through.

Thus, no concession was ever actually granted to any of the three contending companies during the 1920s: nor was it the subject of any prolonged diplomatic correspondence between the British and American Governments. To that extent, therefore, it would appear of minor significance in any discussion of Anglo-American controversy over Middle Eastern oil. It is, however, important for a number of reasons. Great Britain's historical pre-eminence in Persia¹ was apparently strengthened by the collapse of Tsarist Russia, and in the years immediately following the First World War she attempted to advance her position yet further by the negotiation of a comprehensive

1. See Chapter 1.

Anglo-Persian Agreement,¹ and by the appointment of British financial and military advisers to the Persian Government. Neither of these initiatives were to be ultimately successful. The reasons for their failure were manifold, and owed much to internal developments in Persia, the extremely rapid march of events in Asia, in the wake of the Bolshevik Revolution, and the need for military economy on Britain's part, necessitating the withdrawal of British troops from North Persia. In addition, however, United States opposition to the Anglo-Persian Agreement was one factor in its destruction. Moreover, Persia saw in the United States a disinterested Great Power, which, she hoped, could be persuaded to lend her support, expertise - and money - in return for oil concessions. An American financial mission, led by A.C. Millspaugh (significantly, the State Department oil expert) was in fact to take over control of Persian finances in October 1922: whilst, as was outlined above, two American oil companies, Sinclair and Jersey Standard, were to compete for the North Persian oil concession. Nonetheless, it was in Persia that the first steps were taken towards a policy of co-operation and compromise between British and American oil interests in the Middle East: co-operation that was supported by both governments, and which provided the first step towards conciliation in Mesopotamia.

These steps must be regarded with some surprise, for Persia was a country in which Great Britain had been long accustomed to enjoying an unusual degree of power and influence. The

1. Anglo-Persian Agreement, 9 August 1919, Hurewitz, II, pp.64-66.

oilfields in the South were regarded as of critical importance in Great Britain's strategic plans, and by virtue of its exclusive concession over them, and the contribution its royalties made to the Persian state's finances, Anglo-Persian appeared to be in a dominating position. Moreover, on the face of it, the British Foreign Office had no particular reason to court American participation in Persian affairs. Indeed, United States opposition to the Anglo-Persian Agreement had aroused bitter hostility within the British Foreign Office (as will be discussed briefly below): whilst negotiations for compromise between the oil companies coincided with discussions on the appointment of an American financial adviser to Persia, both of which developments threatened traditional British hegemony in Persia. It is, therefore, vital to comprehend why, despite this situation, the British Foreign Office came to welcome the possibility of co-operation between Anglo-Persian and Jersey Standard, and to use it as a vehicle to encourage similar co-operation in Mesopotamia.

Although the United States showed as little desire to become involved in Persia as elsewhere in the Middle East, her status there was somewhat different, less as a consequence of her own efforts as those of Persia. American prestige in Persia was very high following the short-lived Shuster mission,¹ and Persia soon renewed her attempts to use the United States against the Great Powers. During the war, the United States was apparently very popular in Persia,² whilst it was assumed

1. See Chapter 1.

2. Report by W. Phillips to the U.S. Secretary of State on the Persian situation, 791.00/-, R.G.59, N.A., M717/1.

within the State Department that it would probably support Persian independence and the open door against British attempts to tighten its sphere of influence.¹ Insofar as the Persians received any assistance and sympathy at the Paris Peace Conference, it came from the United States Delegation.² It must be emphasized, however, that the United States had taken no steps to strengthen her influence as against that of Great Britain, although she was certainly aware of the potential opportunities available in Persia for American enterprise, when the terms of the Anglo-Persian Agreement were publicized.

In the summer of 1919, Persia was in a chaotic state, political and economic instability being compounded by Bolshevik agitation, particularly in the North.³ The British Minister in Teheran, Sir Percy Cox, at the instigation of Lord Curzon, therefore negotiated with pro-British elements in the Persian Government an Anglo-Persian Agreement. By its terms, Great Britain was to supply Persia with officers, munitions and modern equipment for its army, expert financial advisers, loans, aid for railway construction, and a guarantee of independence.⁴ In

1. Division of Near Eastern Affairs to Phillips, 29 November 1918, 711.41/22, R.G.59, N.A., M581/1.

2. Yeselson, ch. 6.

3. Unless stated otherwise, the following secondary sources were used for background material on events in Persia during this period. D.B.F.P., 1st Series, Vol.XIII, ch. 3; Yeselson; DeNovo, American Interests, ch.9; Peter Avery, Modern Iran (London, 1965), pp.210-264; and Gordon Waterfield, Professional Diplomat: Sir Percy Loraine of Kirkharle Bt. 1880-1961 (London, 1973), chs. 6-12.

4. Anglo-Persian Agreement, 9 August 1919, Hurewitz, II, pp.64-66; Memorandum by Earl Curzon on the Persian Agreement circulated to Cabinet, 9 August 1919, D.B.F.P., 1st Series, Vol.IV, pp.1119-1122; and Avery, op.cit., pp.202-209.

short, the British were proposing the establishment of a virtual protectorate over the whole of Persia, to replace that traditionally exercised over the South, in order to stabilize an area vital as a buffer to India, and as a major supplier of fuel oil to the British Navy. Lord Curzon, regarded by many (not least himself) as an expert on Persian affairs, saw the Agreement as a major personal achievement; its rejection by Persia offended him deeply, as did opposition to, or criticism of, that agreement by others.

Curzon had, however, no reason to envisage the possibility of American opposition, for he had informed Colonel Edward House, President Wilson's right-hand man at Paris, that an agreement was being negotiated.¹ Indeed, so sure was Curzon of United States approval, that he specifically requested that Government to lend its support to the British, or at least not to support the French Minister in Teheran, suspected of fomenting trouble.² American public opinion was, however, shocked at this blatant infringement of open diplomacy and Persian self-determination. The State Department, meanwhile, was informed by the American minister in Teheran that there was universal Persian resentment at the terms of the Treaty,³ and therefore it refused to support

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1. Entry for 20 May 1919, Vol.16, House Diaries, Yale. Later, House was to tell Ambassador Davis that whilst Curzon had told him that negotiations were taking place, he had given no details. Entry for 27 August 1919, Vol.16, House Diaries, Yale.
 2. J.W. Davis to R. Lansing, 18 August 1919, For. Rel. 1919 Part III, Vol.II, pp.699-70; and Curzon to R.C. Lindsay, British Embassy, Washington D.C., 18 August 1919, D.B.F.P., 1st Series, Vol.IV, pp.1135-6.
 3. John C. Caldwell, U.S. Minister, Teheran, to U.S. Secretary of State, 13, 16 and 23 August 1919, For. Rel. 1919 Part III, Vol.II, pp.699-701; and U.S. Secretary of State to Caldwell, 19 August 1919, 741.91/21, R.G.59, N.A., M582/10.

the British. It was clearly felt that the agreement had been made secretly to gain 'at least economic control of Persia',¹ a suspicion increased when the Department learnt of the secret financial clauses in the Treaty.² In an unusual departure from normal diplomatic practice, Secretary of State Lansing did not express his disapproval to the British Government, but instead assured the Persian Government of his dislike of the agreement, and expressed the hope that Persia would look to the United States for aid.³ On his instructions, the United States Minister in Teheran published a communiqué in the local press on 9 September 1919, conveying the above sentiments, and concluding by assuring the Persians that the United States had attempted to secure a hearing for their case at the Paris Peace Conference.⁴ Curzon protested strongly to Ambassador Davis at this infringement of diplomatic procedure, emphasizing that Colonel House had been informed of the agreement, and drawing parallels with the United States relationship with Liberia.⁵ In a rejoinder the Wilson Government, by now in the throes of the debate on the League, and extremely self-conscious of its failures to abide by open diplomacy at Paris, refused to accept either of Curzon's contentions.⁶ Ambassador Davis, the vehicle through which this acrimonious correspondence was conducted, was clearly perplexed and embarrassed by the way in which the issue was magnified into

1. U.S. Secretary of State to Ambassador Davis, 20 August 1919, For. Rel. 1919 Part III, Vol.II, p.700.

2. Caldwell to U.S. Secretary of State, 18 October 1919, 741.91/26, R.G.59, N.A., M582/10.

3. U.S. Secretary of State to Caldwell, 4 September 1919, For. Rel. 1919, Part II, Vol.III, pp.707-8.

4. Yeselson, pp.160-162.

5. Curzon to U.S. Ambassador, London, 11 September 1919, D.B.F.P., 1st Series, Vol.IV, pp.1163-5.

6. ~~U.S. Ambassador~~ to Curzon, 12 September 1919, D.B.F.P., 1st Series, Vol.IV, pp.1167-8.

a major diplomatic incident,¹ not least because Curzon continually asserted that Davis had expressed his own support for the Treaty.²

As events in Persia deteriorated, and uncertainty over United States entry into the League of Nations preoccupied the Wilson administration, Anglo-American friction over Persia increased. Secretary of State Lansing was soon convinced that the Anglo-Persian Agreement was a symbol of British greed, indifference to the rights of others, and determination to gain complete control over Persia, against the wishes of the population.³ Ambassador Davis was more realistic, given the current American atmosphere of withdrawal from international responsibilities: he concluded that, having expressed its displeasure, the United States Government should accept the situation, since it was unprepared to proffer the assistance that Persia so clearly needed.⁴ Initially, he was unable to sway Lansing,⁵ but gradually during October the State Department, and even the Secretary of State began to feel that they had overreacted.⁶ The eventual reply to Great Britain, however, whilst comparatively conciliatory in comparison with earlier Notes, nonetheless stated that the American Government did not

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1. J.W. Davis to U.S. Secretary of State, 23 September 1919, 741.91/7, R.G.59, N.A., M582/10.
 2. Curzon to R.C. Lindsay, Washington, 18 August 1919, D.B.F.P., 1st Series, Vol.IV, pp.1135-6.
 3. Secretary of State Lansing to Norman Davis, n.d. but received 15 September 1919, 'Norman Davis', Box 4, Part 1, Series II, Alphabetical Correspondence Personal, Davis MSS, Yale; Memo by A. Putney, Division of Near Eastern Affairs, to Mr. Phillips, 16 September 1919, 741.91/8, R.G.59, N.A., M582/10; and Lindsay to Curzon, 21 September 1919, D.B.F.P., 1st Series, Vol.IV, p.1173.
 4. J.W. Davis to Lansing, 25 September 1919, Box 4, Part 1, Series II, Alphabetical Correspondence Personal, Davis MSS, Yale.
 5. Memo by William Phillips to U.S. Secretary of State, 16 September 1919, 741.91/4, R.G.59, N.A., M582/10; and Grey to Curzon, 28 September 1919, D.B.F.P., 1st Series, Vol.IV, pp.1184-5.
 6. ~~2 Memoranda~~ from Louis H. Gray, Persian specialist of the American Commission to Negotiate Peace to Frank Polk, 30 September and 1 October 1919, Folder 93 'Persia', Drawer 78, Polk MSS.

...feel itself in a position at the present time to give its approval to the Anglo-Persian Agreement unless and until it is clear that the authorities and people of Persia are united in their approval and support of that undertaking. 1

At least part of the American hostility was due to the prevalent opinion that oil had been a major factor behind the negotiation of the agreement,² Davis telling Curzon informally that 'there was a growing feeling, particularly among American oil interests that there was some design to discriminate against them in the Near East'.³ This statement seemed to imply a concerted British policy to secure control of Middle Eastern oil resources. However, American resentment continued to decline, and by December 1919 Under Secretary W. Phillips was suggesting to R.C. Lindsay that, since the Senate was calling for the correspondence on Persia, it might be a good idea if Britain sent a sympathetic reply that would show 'that there was no real divergence of views on the subject between the two governments'.⁴

This, however, Curzon refused to do;⁵ clearly, his irritation at the Americans was such, that he was unprepared to countenance a 'sympathetic reply'. He had refused to accept

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1. U.S. Ambassador to Curzon, 7 October 1919, D.B.F.P., 1st Series, Vol.IV, pp.1193-5.
 2. Frank Polk to J.W. Davis, 9 October 1919, Folder 120, 'J.W. Davis', Drawer 73, Polk MSS; and memorandum of a conversation between Prince Firoux, Minister for Foreign Affairs of Persia with Polk, 9 October 1919, Folder 94 'Persia', Drawer 78, Polk MSS.
 3. Private letter, J.W. Davis to Lansing, 21 October 1919, quoted Yeselson, p.165.
 4. W. Phillips to Mr. Whitehouse, 16 December 1919, 741.91/52, R.G.59, N.A., M582/10; and Lindsay to Cruzon, 13 January 1920, D.B.F.P., 1st Series, Vol.XIII, p.433.
 5. Curzon to Lindsay, 20 January 1920, D.B.F.P., 1st Series, Vol.XIII, p.433.
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the urging of Viscount Grey, during the latter's special mission to the United States, that Britain should adopt a policy of conciliation.¹ Grey even raised the possibility of American assistance in providing advisers and funds to the Persian Government 'to show that we are wholehearted in opening the door to American assistance to Persia...'.² Curzon however rejected this suggestion,³ although Grey continued to emphasize that the United States saw the Agreement as intended to exclude American commerce or influence, and that this American sensitivity should be taken into account in framing Britain's Persian policy.⁴ This, of course, Curzon found totally unacceptable.⁵ The legacy of the whole incident was a bitterness against American interference amongst Foreign Office officials, and more especially Curzon, who commented that the United States Government had 'gone out of their way to be nasty. Perhaps on some future occasion they may find us less enthusiastic about some proposal of theirs than they would desire'.⁶ Moreover, the Persians were further convinced that the United States might profitably be used against

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1. Douglas L. Smith, 'Viscount Grey's "Special Mission" and Postwar Anglo-American Relations', Southern Quarterly 11 (1973) pp.264-266; and Curzon-Grey correspondence, September and October 1919, D.B.F.P., 1st Series, Vol.IV, pp.1184-1215.
 2. Grey to Curzon, 28 September 1919, D.B.F.P., 1st Series, Vol.IV, pp.1184-5.
 3. Curzon to Grey, 1 October 1919, D.B.F.P., 1st Series, Vol.IV, p.1191. In this, he was supported by Sir Percy Cox, British Minister in Teheran. Cox to Curzon, 9 October 1919, *ibid.*, pp.1198-9.
 4. Grey to Curzon, 10 October 1919, D.B.F.P., 1st Series, Vol.IV, p.1200; and Grey to Curzon, 17 October 1919, *ibid.*, pp.1205-6.
 5. Grey to Curzon, 27 October 1919, and Curzon minute, 30 October 1919, D.B.F.P., 1st Series, Vol.IV, pp.1214-5.
 6. Minute by Curzon, 10 October 1919, D.B.F.P., 1st Series, Vol.IV, p.1195, note 5.
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Great Britain, a conviction in which they were encouraged by some State Department officials.¹

This was to lead to a concerted attempt by the Persians to engage American assistance in order to involve the United States Government in their country. The most obvious opening for such involvement was through an oil concession, and in April 1920 the Persian Minister in London asked Curzon what would be the British reaction to the Persians employing American advisers, and involving American companies in financial schemes for the development of Persia's resources - including oil.

I at once realized that he was referring to the American Standard Oil Company, and that that omnivorous organization was endeavouring to secure a foothold on Persian soil...I warned him very strongly against any attempt to introduce the Standard Oil Company in Persia, assuring him that this would mean a competition... which the British Government could not be expected to regard with any favour. 2

Clearly, British hostility to American interference in Persia was still paramount. This makes it all the more surprising that, only a year later, the Foreign Office was advocating co-operation with American interests. To comprehend why this was so, it is necessary to turn to the question of North Persian oil and, more specifically, the Khoshtaria concessions.³

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1. Memo by the Third Assistant Secretary of State, 23 December 1919, For. Rel. 1919, Part III, Vol.II, pp.718-9; summary of an interview between Nadi Khan, Attaché of the Persian Legation and A. Putney, 26 December 1919, 741.91/89, R.G.59, N.A., M582/10; and James G. Bailey, U.S. Chargé, Berne, to U.S. Secretary of State, 23 January 1920, 891.63/2, R.G.59, N.A., M715/26.
 2. Curzon to Cox, 10 April 1920, D.B.F.P., 1st Series, Vol.XIII, pp.466-8.
 3. Yeselson and Davis, British Oil Policy give good accounts from the American and British viewpoints respectively of the North Persian oil concession negotiations. This discussion therefore concentrates upon the genesis of a co-operative relationship between American and British oil companies, and ~~the attitudes of~~ their respective governments.

With the cancellation of all Russian concessions, the North Persian oilfields were again available, the most obvious contenders for a lease being the various American companies and Anglo-Persian. There were two alternative routes for concession seekers: to negotiate afresh with the Persian Government, or to purchase an existing claim in the hope of having its validity recognized. Russian concession holders made a concerted effort to persuade interested companies to follow the second course. The Foreign Office, however, felt that the best procedure would be to let existing concessions lapse, and then explore the possibility of a British group taking up new options, G.P. Churchill stating that 'I am inclined to think we would do better to leave the Khoshtaria concession severely alone'.¹ Clearly at this stage the Office was prepared to accept the legality of the Persian Government's cancellation of the Russian claims. However, Anglo-Persian was apparently less convinced, and in early 1920 commenced negotiations with Khoshtaria. In a cautious attempt to cover all options, therefore, the Foreign Office informed the company of its opinion that, if it did purchase the Khoshtaria concessions, it would prevent any future Russian Government from enforcing the annulment of the cancellation. It was still adamant, however, that whilst it would be prepared to support British applicants in seeking a new concession, the British Government could not accept any responsibility in connection with the validity of the Khoshtaria concessions.² Additionally,

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1. Memo by G.P. Churchill, 10 November 1919, 34/3921/150229, F.O.371/3879. See also correspondence and minutes on 34/3921/33588, 146277, 150229 and 158025, F.O.371/3879.
 2. Foreign Office to Anglo-Persian, 10 March 1920, 34/3921/180967, F.O.371/3879.
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Sir C. Greenway, Managing Director of Anglo-Persian, was informed in an interview that, apart from the general cancellation of all Russian concessions, there was in fact some reason for believing that the Khoshtaria concession had lapsed because of the failure to put some of its engagements into operation.¹

Having stated its position so categorically, however, the Foreign Office was to steadily retreat from it. Its legal advisers concluded that the second argument could be successfully contradicted, although it was made clear that this would still leave the first unanswered.² Nonetheless, in a critical step, the Foreign Office informed Anglo-Persian on 10 April 1920 that

His Majesty's Government are prepared to support your Company at Tehran with the object of obtaining the recognition by the Persian Government of the transfer to your Company of the concessions in question. 3

The wording was such that it did not necessarily imply the recognition of the concession as valid - although it is difficult to tell from the records whether this was a deliberate move on the part of the Foreign Office. However, having taken the first step, the British Government went further. The Persian Government categorically informed it that the Khoshtaria concessions were now regarded as null and void; whilst the Foreign Office's legal advisers pointed out that, should the Persian Government's case be based upon the cancellation of all Russian concessions, they had yet to consider the legality of that particular argument. Nonetheless, the Foreign Office decided to refuse to accept this

1. Memo of an interview between Oliphant and Sir C. Greenway, Managing Director, Anglo-Persian, 29 March 1920, 34/3921/188324, F.O.371/3879.

2. Minute by Foreign Office Legal Department, 6 April 1920, on *ibid.*

3. Foreign Office to Anglo-Persian, 10 April 1920, *ibid.*

contention,¹ and upheld its conviction that the Khoshtaria concessions were valid, despite the reiterated Persian insistence that they were not.²

From the British point of view, it was perhaps fortunate that Anglo-Persian had taken steps to establish for itself a claim on North Persian oil, for an interest in that area was also being demonstrated in the United States. Initially, as in the case of Mesopotamia, it was the State and Commerce Departments which attempted to interest oil companies in the potential of North Persia, rather than vice-versa, although this government initiative was largely at the instigation of the Persian Minister in Washington. Information was collected on the Anglo-Persian and Khoshtaria concessions,³ and conveyed to selected oil companies. Despite the fact that the Anglo-Persian concession would detract from the value of any future concession in North Persia, because of its exclusive pipeline rights, Jersey Standard stated that it would be willing to consider the possibility of applying for a concession in the North.⁴ Meantime, news of a possible American loan

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1. Minutes and correspondence on 34/3921/206179, F.O.371/3879.
 2. Correspondence and minutes on C1346/C3160/C5808/C8266/910/34, F.O.371/4919.
 3. Frank Polk to American Legation, Teheran, 19 February 1920, 891.63/2a; Caldwell to U.S. Secretary of State, 26 February 1920, 891.6363/3; Wilbur J. Carr, for U.S. Secretary of State to Robert Skinner, U.S. Consul-General, London, 4 March 1920, 891.6363/12A; and Skinner to Carr, 23 March 1920, 891.6363/13, all in R.G.59, N.A., M715/26.
 4. E.J. Sadler, Jersey Standard, to V.S. Merle-Smith, State Department, 11 August 1920, 891.6363/17, R.G.59, N.A., M715/26; and V.S. Merle-Smith to Persian Minister, Abdul Ali Khan, 12 August 1920, For. Rel. 1920, Vol.III, pp.352-3.
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to Persia had already reached the Foreign Office,¹ leading it to consider its attitude towards American involvement in that state. In so doing, it had to take into account not only events in Persia, but also concurrent oil disputes with the United States over Mesopotamia and Palestine. This led Oliphant, head of the Eastern Department, to conclude that 'I do not believe it is the intention of the U.S. [sic] to compete with us in Persia. But the matter will require most careful handling'.² The opinion of the Foreign Office was summed up by G.P. Churchill: 'We should, I think, oppose the entry of the United States into competition with us in Persia if and when it is clear that this is their intention'.³ It was, however, decided to pre-empt a possible American concession by telling the Persian Government that the British Government believed Anglo-Persian's purchase to be legal, and would therefore afford them diplomatic support. On 30 August 1920, therefore, Norman was told that the Khoshtaria concessions were to be defended as valid. Although the matter was not raised formally with the United States, Ambassador Geddes in Washington was informed of the British position.⁴

At this stage, therefore, the Foreign Office was clearly prepared to resist American participation in the Persian oilfields, as well as in those of Mesopotamia. This did not deter the State

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1. H. Norman, British Minister, Teheran to Foreign Office, 13 July 1920, C1234/1234/34, F.O.371/4919.
 2. Minute by Oliphant, 14 July 1920, on C1234/1234/34, F.O.371/4919.
 3. Minute by G.P. Churchill, 14 July 1920, on *ibid.*
 4. Minute by E. Ovey, 27 August 1920; Foreign Office to H.M. Minister, Teheran, 30 August 1920; and Foreign Office to H.M. Ambassador, Washington, 30 August 1920, all on C4871/1234/34, F.O.371/4920. Norman, in Teheran, reported in August that Americans were about to take over the Khoshtaria concession. Norman to Curzon, 18 August 1920, D.B.F.P., 1st Series, Vol.XIII, pp.596-7.
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Department, which instructed its minister in Teheran to express the United States Government's dislike of monopoly, and to suggest that it would be

...conducive to the best interests of Persia and desirable from the standpoint of international economic relations for the Persian Government to postpone any further grants of its oil resources until opportunity can be given to American companies to enter into negotiations regarding such grants. 1

Although the only American company to express an interest, Jersey Standard, was apparently far from enthusiastic, American officials, both in Washington and Teheran, continued to press home to the Persian Government that the Anglo-Persian Agreement did not prevent the grant of oil concessions in the North to American interests.² In the face of government persuasion, Standard decided to send a representative to Teheran.³ The Persians were clearly anxious to obtain American investment, to the extent that the Persian Minister in Washington asked the State Department whether it would approve a private loan to the Persian Government arranged by American banks.⁴

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1. U.S. Secretary of State to Caldwell, 16 August 1920, For. Rel. 1920, Vol.III, pp.353-4.
 2. Norman to Curzon, 26 October 1920, D.B.F.P., 1st Series, Vol.XIII, pp.621-2; U.S. Secretary of State to Caldwell, 17 November 1920, For. Rel. 1920, Vol.III, p.355; and Van S. Merle-Smith to Mr. William Warfield, Jersey Standard, 8 December 1920, 891.6363/33A, R.G.59, N.A., M715/26.
 3. Norman H. Davis, Acting Secretary of State, to Secretary of State for Commerce, 7 December 1920, 312 Persia, B.F.D.C., R.G.51, N.A. Apparently Jersey Standard was not very enthusiastic about prospects in Persia, not least because Anglo-Persian was assured of political backing. Memo by Copley Amory Jr. on an oil conference, 12 January 1921, 800.6363/238, R.G.59, N.A.
 4. Memo by Millspaugh of a conversation with the Persian Minister and the Counselor of the Persian Legation on 16 December 1920, For. Rel. 1920, Vol.III, pp.356-7.
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With the decision by the Foreign Office to support Anglo-Persian's legally dubious Khoshtaria concession, and the State Department's enthusiastic promotion of American investment in the same North Persian oilfields, the way seemed open for another diplomatic controversy on the lines of that being conducted simultaneously over Mesopotamia. However, by the time that both Governments had reached the point at which outright conflict of interests seemed probable, the beginnings of an improvement in Anglo-American relations generally prompted them to pursue a conciliatory policy towards each other's oil interests. In the case of Persia, Britain was to find the thought of American co-operation and support particularly appealing, in view of the political upheaval in that troubled country. In late October 1920 the British Minister in Teheran, Herbert Norman, reported on the bad impression apparently caused in the United States by the British refusal to allow American oil companies into Mesopotamia; and proceeded to suggest that the admission of Americans into North Persia might provide a useful buffer against Russian commercial penetration.¹

Norman's suggestions and actions were not normally regarded with favour within the Foreign Office. However, although the immediate response to his despatch was a temporizing one,² its content met with some approval within the Eastern Department, which was already considering the possibility of admitting American interests into Mesopotamia. On the same date as he suggested Anglo-American co-operation in Mesopotamia, Sir William Tyrrell minuted on Norman's despatch:

1. Norman to Curzon, 26 October 1920, D.B.F.P., 1st Series, Vol.XIII, pp.621-2.

2. Curzon to Norman, 8 November 1920, D.B.F.P., 1st Series, Vol.XIII, pp.636-7.

I entirely agree with the view expressed by Mr. Engert as to the bad impression made by our refusal last year to allow Americans to prospect for oil in Mesopotamia, and I think we should move with great caution in the whole of this matter, as the Republican victory of yesterday will considerably strengthen the Standard Oil Company. 1

Concurrently in the United States, petroleum expert Millspaugh was expressing the need for a certain amount of caution in regard to the Persian oil concessions:

It seems to me that the question is one of great importance and that it involves the formulation of a comprehensive policy toward Persia...no doubt the matter would have to be handled with great care in view of British policy toward Persia. 1

In suggesting a draft for his projected Anglo-American Oil Agreement, Millspaugh included a provision relating to North Persia. It seems unlikely, however, that the British would have accepted the stipulation that Anglo-Persian should not become involved in the North Persian oilfields, so as to avoid the creation of an absolute monopoly.³

As was noted in the last chapter, the Foreign Office soon abandoned the proposal for Anglo-American co-operation in Mesopotamia. This was not, however, the case in Persia, probably due to the course of events in that country. The chronic political instability, culminating in the coup d'etat of February 1921, the Bolshevik advances into the North, and the gradual withdrawal of British troops, planned for completion by April 1921, all emphasized the weakening of the British hold on Persia. Meanwhile,

1. Minute by Sir William Tyrrell, 3 November 1920, C9883/1234/34, F.O.371/4920. Mr. Engert was Secretary to the United States Legation in Teheran.

2. Memo by Millspaugh, 17 December 1920, For. Rel. 1920, Vol.III, pp.356-7.

3. Memo by Millspaugh on the General Oil Situation, 19 February 1921, 800.6363/325, R.G.59, N.A.

political uncertainty was reflected in Persia's chaotic financial situation. Anglo-Persian was increasingly perturbed lest, in the absence of a British loan, the Americans might step in, lend money to the Persian Government, and hence secure the Northern concessions. The British company therefore contemplated the possibility of advancing a loan itself, although it would have preferred such a loan to have been guaranteed by the British Government. The Foreign Office, however, well aware of the instability and appalling financial management that characterized the Persian Government, strongly advised British concerns such as Anglo-Persian and the Imperial Bank of Persia, not to lend any money to Persia. Nor was the British Government likely to advance further sums to the impecunious Persian Treasury before acceptable arrangements had been made for the repayment of the four million pounds already owing.¹ Although in the Spring of 1921, Anglo-Persian promised to advance £50,000 in the hope that the Persian Government would confirm the Khoshtaria concessions, the Foreign Office was far from sanguine, in view of the new Government's anti-British tendencies.²

Anglo-Persian was unprepared to give up hope of adding the North Persian oilfields to its lucrative Southern concession, however, and when, in June 1921, it became aware that American interests were negotiating for the Northern provinces, it appealed to the British Government to prevent this.³ However, in considering this appeal, the Foreign Office showed clearly that it was thinking in terms of a commercial compromise. G.P. Churchill,

1. File 75/34, F.O.371/6413, especially memo by Lindsay, 8 February 1921, E1799/75/34, F.O.371/6413.

2. Correspondence and minutes on E4138/76/34, F.O.371/6413.

3. Sir C. Greenway to Oliphant, 2 June 1921, E636/76/34, F.O.371/6414.

who was to become a consistent advocate of company co-operation, first suggested the possibility of a joint American Anglo-Persian operation to exploit the Khoshtaria concessions, on the grounds that 'This course would avoid any conflict between ourselves and the Americans as to oil in Northern Persia and give good political results'.¹ Oliphant however felt that Anglo-Persian was unlikely to agree to this desirable course.² In a highly significant minute which is worth quoting in full, Lindsay tied in the North Persian issue with other oil controversies in the Middle East:

I suppose America's attitude over mandates is largely dictated by her desire to secure a share in our oil concessions around the Persian Gulf. Before we make any advance however tentative to the Standard Oil Co. [sic] about concessions even as remote as the Khoshtaria, we should decide whether we are prepared to face a discussion which may bring in the question of participation in such far greater concessions as the Darcy [sic] and the Turkish Petroleum Co. [sic].

I rather think we may eventually have to accept American co-operation and participation in Persian Gulf oil, and that it may be beneficial to do so. But the first thing would be to consult the Petroleum Dept. [sic] and it might then become a matter of Cabinet importance. 3

The Petroleum Department, having been duly consulted, was, like the Anglo-Persian, prepared to contemplate joint action on the Khoshtaria concession. However both were resolutely opposed to any extension of co-operation to South Persia or Mesopotamia.⁴ Thus, their concept of the role of co-operation was apparently different from that of Lindsay. Whilst they almost certainly saw it as a way of evading an American challenge to a legally

1. Minute by G.P. Churchill, 3 June 1921, on *ibid.*

2. Minute by Oliphant, 4 June 1921, on *ibid.*

3. Minute by R.C. Lindsay, 6 June 1921, on *ibid.* The emphasis is mine.

4. ~~Petroleum Dept.~~ to Foreign Office, 21 June 1921, E7134/76/34, F.O.371/6414.

dubious Anglo-Persian claim, and thus as a mechanism for extending British control over Middle Eastern oil, Lindsay clearly envisaged a more far-reaching settlement, one that would incorporate the United States firmly into the support of the status quo in the Near and Middle East. He summed it up thus: 'I am inclined to think it would be to our advantage to have America interested in regions where a Russian menace exists or threatens'. Curzon agreed, stating that 'I am not afraid accordingly of the Americans unless they make themselves disagreeable or dangerous to us over the oil'.¹ It was, presumably, the South Persian oil, already so vital strategically to the British, to which Curzon referred. However, whilst the Foreign Office clearly envisaged that the Americans would be greatly interested in oil, the consensus opinion was that they were unlikely to lend Persia aid - or money.²

This was an opinion the Persians shared, for later that year they embarked upon a concerted attempt to gain American support for their country. Particularly active in this was the New Persian Minister to Washington D.C., Mirza Hussein Khan Alai.³ The oil companies had not to date been particularly enthusiastic about the North Persian concession, despite prompting by the State and Commerce Departments,⁴ but Standard had of course already opened negotiations, whilst by early November 1921 Sinclair's

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1. Minutes by Lindsay and Curzon, 29 July 1921, E8788/76/34, F.O.371/6415.
 2. Correspondence and minutes, E9538/76/34, F.O.371/6415.
 3. Memo by W. Robbins, Division of Near Eastern Affairs, to the Under Secretary, 30 August 1921, 711.91/3, R.G.59, N.A., M716/1; F.M. Dearing, State Department, to Secretary of Commerce, 22 October 1921, 312 Persia, Commerce BFDC, R.G.151, N.A.; and Dearing to Secretary of Commerce, 2 November 1921, 891.63/3a, R.G.59, N.A., M715/26.
 4. Secretary of Commerce Hoover to U.S. Secretary of State, 19 May 1921, 891.6363/40, R.G.59, N.A., M715/26.
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discussions with the Persian Minister had resulted in definite proposals being made.¹ Thereafter, parallel negotiations with the two companies were carried on by the Persians and their American representatives, W. Morgan Shuster (ex-Financial Adviser to the Persian Government) and Robert Lansing (ex-United States Secretary of State).²

Interestingly, the Persians also informed Great Britain of their negotiations with Sinclair,³ which led G.P. Churchill (in the erroneous belief that Sinclair was a subsidiary of Standard Oil) to refer yet again to the possibility of an Anglo-American partnership.⁴ However, a different approach was adopted. On Curzon's authority, Minister Norman was instructed to make a formal protest to the Persian Government, at its conducting negotiations for a concession which, the British maintained, was already legally held by a British company.⁵ At Crowe's suggestion, and with Curzon's approval, Ambassador Geddes was instructed to inform the State Department that the Persian Government was offering to dispose of the Khoshtaria concessions to Americans, but that these had been acquired by a British firm, and the British Government had informed the Persian Government that it regarded the claim as valid. Geddes was told to make these representations

1. A.C. Veatch, Sinclair, to H.C. Morris, 9 November 1921, 312 Persia Commerce BFDC, R.G.151, N.A.

2. W. Morgan Shuster to the Persian Minister, Washington, 20 November 1921, Vol.38, Lansing MSS.

3. Verbal communication from the Persian Minister, Washington, 19 August 1921, E9538/76/34, F.O.371/6415.

4. Minute by G.P. Churchill, 26 August 1921, E9826/76/34, F.O.371/6415.

5. Curzon to Norman, Teheran, 29 August 1921, and Foreign Office minutes, E9826/76/34, F.O.371/6415.

in the friendliest manner, and make it plain that he simply desired to inform interested American companies of the real situation.¹

The State Department in its response, however, gave no indication of the growing opinion amongst its officials that compromise with the British was desirable. Instead, it hinted that the concessions might not be valid, particularly in view of the absence of any ratification by the Majlis, and referred to the complete exclusion of American interests if Anglo-Persian's claims were recognized.²

Although the Foreign Office was particularly scathing as to the American line of argument, nonetheless it was not sufficiently irritated with the Americans to abandon the idea of compromise. This may well have reflected the bias towards Anglo-American friendship prevalent in the Foreign Office in the late autumn of 1921. G.P. Churchill continued to advocate that it would be 'politically advantageous if we could so contrive to get an American group to join the Anglo-Persian Oil Company in taking up this concession'.³ When, therefore, Anglo-Persian informed the Foreign Office that it was contemplating co-operation with an American company in the hope of securing the ratification of the Khoshtaria concessions, it was told to proceed.⁴ Thereafter

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1. Curzon to Geddes, 4 October 1921, and minutes by Crowe and Curzon, 30 September and 1 October 1921, E10873/76/34, F.O.371/6416.
 2. Geddes to Curzon, 20 October 1921, E11586/76/34, F.O.371/6416.
 3. Minute by G.P. Churchill, 5 November 1921, on E12010/76/34, F.O.371/6416.
 4. Sir C. Greenway to Oliphant, 9 November 1921; Oliphant to Greenway, 11 November 1921; and Foreign Office minutes, all on E12436/76/34, F.O.371/6417.
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the Foreign Office continued to take a keen interest in, and attempt to promote, the commercial negotiations. Even before the North Persian negotiations were seen as a possible gateway to co-operation in Mesopotamia, the Foreign Office, in a reversal of its attitude, was prepared to envisage a more comprehensive agreement. Lindsay became so convinced that it was necessary to secure an agreement because of the hostility of the Persian Government and the uncertainty with regard to Russia, that he expressed a hope that 'the two [companies] will come to terms even if they involve matters going beyond the mere Khoshtaria concession', Curzon agreeing that it was a case of 'Better Americans than Bolsheviks'.¹ This change of opinion in November 1921 almost certainly accelerated Foreign Office acceptance of the proposed commercial settlement in Mesopotamia that same month.² It was enthusiastically endorsed by both the Petroleum Department and Ambassador Geddes in Washington, both of whom supported the extension of the commercial basis of settlement into Mesopotamia.³

Indeed, so anxious was the Foreign Office to involve the Americans in Persia, that it was willing - even eager - to support the Persian appointment of American financial advisers. In part this was in order to promote the oil settlement: in part, one may surmise, because in the cordial atmosphere created by the Washington Conference,⁴ the explicit opposition of Great Britain

1. Minutes by Lindsay and Curzon, 23 November 1921, on E13568/76/34, F.O.371/6418.

2. See Chapter 5.

3. Petroleum Department to Foreign Office, 9 December 1921, E13568/76/34, F.O./6418; and Geddes to Foreign Office, 23 December 1921, E329/7/34, F.O.371/7812.

4. The Washington Conference is discussed in chapter 5. See also Thomas H. Buckley, The United States and the Washington Conference, 1921-1922 (Knoxville, Tennessee, 1970).

to the appointment of American advisers would have been misplaced. Thus, when the chargé d'affaires in Teheran, R. Bridgeman, informed the Foreign Office that, on his own authority, he had told the Persian Prime Minister that His Majesty's Government would not welcome the appointment of an American financial adviser, Crowe was particularly angry, lest it affect the North Persian concession.¹ Curzon, however, was more circumspect, being unwilling, one suspects, to see the yet further undermining of British influence in Persia, although he had long since accepted the demise of the Anglo-Persian Agreement.

I am entirely in favour of close co-operation between British and American oil interests and negotiations are now proceeding between them, I believe in a satisfactory manner. As to political co-operation and especially engagement of American advisers, I prefer to maintain a reserved attitude though I do not wish now definitely to pronounce against them.²

However, only a few weeks later Lindsay suggested that, in view of the fact that the appointment of a British adviser was highly unlikely, the British Government should accept American advisers and, indeed, urge the State Department to facilitate their appointment.³ In the course of a critical four months therefore, from November 1921 to February 1922, the Foreign Office had reversed its position on American advisers in Persia, and had declared its willingness to see a commercial compromise extend beyond North Persia, into an area which hitherto it had regarded as sacrosanct - Mesopotamia.⁴ Its coincidence with the Washington

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1. R. Bridgeman, British Chargé d'Affaires, Teheran to Foreign Office, 14 December 1921, E13777/76/34, F.O.371/6418; and minute by Crowe, 16 December 1921, on *ibid*.
 2. Curzon to Sir P. Loraine, British Minister, Teheran, 17 January 1922, E253/7/34, F.O.371/7812.
 3. Minute by R.C. Lindsay, 5 February 1922, E1383/7/34, F.O.371/7213; and Geddes to Foreign Office, 11 February 1922, E1577/7/34, F.O.371/7814.
 4. See Chapter 5.

Conference cannot be ignored, although as well as a general desire to placate the United States on outstanding controversies, it also reflects British concern at the march of events in Persia, and a desire to involve the United States in the maintenance of the status quo there.

Whilst Britain was attempting to enlist American support by compromise on the oil issue, the astute Persian Minister in Washington D.C. was also attempting - with some degree of success - to embroil the United States in Persia's tangled financial affairs, and hence, by implication, in the support of the Persian Government. In addition to offering the Northern oil concession to American companies, the Persian Minister also attempted to persuade the State Department to appoint or nominate a financial adviser. As the months progressed, there was a tendency for the two questions - oil and adviser - to merge, along with a sizeable American loan, into a 'package deal', which would, of course, heavily commit United States prestige to the maintenance of Persian stability and independence. An ardent American advocate of this scheme was Robert Lansing, ex-Secretary of State, and now legal adviser to the Persian Government.¹ As to the concession and loan, the State and Commerce Departments found it difficult to stimulate real enthusiasm for, as the Bureau of Foreign and Domestic Commerce freely admitted, given the chaotic state of Persia, 'any opportunity connected with Persia must be an attractive one or American concerns will refuse to look at it'.² However, as the

1. Lansing to J.W. Davis, 4 October 1921, Vol.18, Lansing MSS.

2. Julius Klein, Bureau of Foreign and Domestic Commerce to F.M. Dearing, 891.63/6, R.G.59, N.A., M715/26.

Persian Minister continued to treat the three issues as essentially interlinked,¹ the State Department began to think in terms of developing a comprehensive policy toward Persia, rather than simply treating each matter on its own merits. In developing that policy, it was very much influenced by the opinion of its Minister in Teheran, R. Engert, that it should follow a policy of Anglo-American amity.² Millspaugh summed up the real dilemma which faced the Department:

The aim of our policy should be the promotion of American interests in that region, the maintenance of American prestige, the furtherance of Persian interest, the combatting of the vicious sphere of influence idea and the maintenance of the open door principle, and all of these, if possible, in friendly understanding with Great Britain which has, if not a special position, at least vital interests in that region which we do not have.³

Basically, therefore, the State Department was pursuing a policy which, whilst aimed at obtaining for American oil companies a share in the oil riches of Persia, sought to avoid the political responsibilities which the Persian Government attempted to impose upon the United States. Thus, it was unprepared seriously to challenge the traditional British hegemony in Persia, and resisted at all costs attempts to draw the United States into fulfilling the role that Britain and Russia had once held. It was therefore decided that, since the current atmosphere was one of frankness with, and conciliation towards, Great Britain,⁴ all instructions to Teheran should be carefully worded so as to avoid any suggestion

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1. Memo by Dearing to Millspaugh, 10 November 1921, 891.51A/9, R.G.59, N.A., M715/21.
 2. Engert to U.S. Secretary of State, 27 November 1921, 891.6363/70, R.G.59, N.A., M715/26.
 3. Memo by Millspaugh, 19 November 1921, quoted Yeselson, p.213.
 4. Memo by H.G. Dwight to Millspaugh, 17 November 1921, 891.51A/10, R.G.59, N.A., M715/21.

of antagonism towards the British.¹ Moreover, when drawing up a list of possible nominees for the post of Persian Financial Adviser, the name of William Coffin, the American consul general in Berlin, was rejected on the grounds that 'He has pronounced antipathies against the British...'.²

It was in Persia that the State Department came closest to recognizing a possible British sphere of influence in the Middle East, although at the same time it was determined to extend limited aid to Persia if requested. This was, however, purely as a consequence of the fact that 'the interests of this country are bound up with the assertion of equal opportunity in the Near East and with the encouragement of foreign investment of American capital'.³ In other words, it would extend sufficient aid to suffice as a quid pro quo for the grant of an oil concession, but would resist any attempts to draw the United States into a 'special relationship' with Persia, of the kind that had been read into the Shuster mission - although it was already too committed to withdraw from the nomination of a financial adviser.⁴ Even in the heady days of 1919, there had been no serious suggestion that the United States should undertake political commitments in Persia. American protests had simply reflected a desire to prevent the British from so consolidating their special position as to secure total control of Persian oil. In the

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1. Memo by Millspaugh, 18 November 1921, 891.51A/10, R.G.59, N.A., M715/21.
 2. Memo by Millspaugh to Dearing, 25 November 1921, 891.51A/73, R.G.59, N.A., M715/21.
 3. Memo by Millspaugh to Dearing, 30 November 1921, 891.51A/10, R.G.59, N.A., M715/21.
 4. Memo by W. Robbins, Division of Near Eastern Affairs, 6 December 1921, 891.51A/12; Millspaugh to Dearing, 10 December 1921, 891.51A/14, both on R.G.59, N.A., M715/21; and memo by Assistant Secretary of State to Secretary, 22 December 1921, ~~Folder 96~~, Container 176, Papers of Charles Evans Hughes, Library of Congress (hereafter Hughes MSS).

changed atmosphere of late 1921, with talk of commercial co-operation, and in view of the fact that 'substantial evidences of receptiveness have been shown by the British Government',¹ State Department officials were determined to let the British know 'in the frankest and friendliest manner that we will do nothing to disturb Anglo-American relations'.² In such a climate, the British enthusiasm for American advisers was welcome; and neither then, nor later, did the State Department suggest that the British had, in practice, worked against the interests of the American Financial Mission.³

However, as a corollary of the American unwillingness to accept political responsibilities in Persia, which led to a more conciliatory attitude being demonstrated towards the special British role in that country, neither would the United States lend its political support to the proposed Jersey Standard/Anglo-Persian consortium to work the North Persian oilfields. Following the visit of Sir John Cadman (now an employee of Anglo-Persian) to the United States in December 1921 and January 1922, during which time a scheme for co-operation had been discussed,⁴ on 17 February 1922 a written agreement was signed between the two companies. By its terms, Standard Oil was to pay £100,000 to Anglo-Persian; the two companies were to make

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1. Memo by Millspaugh, 2 February 1922, 891.51A/42, R.G.59, N.A., M715/21. The Department was told of the proposed 50/50 agreement on 15 December 1921. Memo by A.W. Ferrin on Persian oil, 28 May 1930, 891.6363/655, R.G.59, N.A.
 2. Memo by the Assistant Secretary to Fletcher and Millspaugh, 5 February 1922, 891.51A/42, R.G.59, N.A., M715/21.
 3. Memo of an interview between the Secretary of State and the British Ambassador, 11 February 1922, 20 April 1922, Folder 76(b), Box 175, Hughes MSS.
 4. Memo by Dearing, 23 December 1921, 841.6363/188, R.G.59, N.A., M580/147.
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a joint loan of one million dollars to the Persian Government; and the concession was to be run by an American company, jointly owned by Jersey Standard and Anglo-Persian. However, contemporaneously with negotiating a concession with Standard Oil, the Persian representative, Morgan Shuster, was also discussing terms with Sinclair.¹ In view of the competition between two legitimate American companies, the State Department refused in January 1922 a request from the Standard Oil Company that it should join the British in a protest against the granting of the Northern concession to Sinclair, on the grounds that it was unprepared to protest against a concession to an American company in favour of a concession held in part by a foreign company.² Thereafter, it adopted a policy of strict neutrality, secure in the knowledge that either way, an American company was likely to have a share in the North Persian oilfields. Clearly, its promotion of Anglo-American co-operation was of very limited extent; having opened the door to American enterprise, the State Department could afford to rest upon its principles. The same, as will be shown below, was to be true in Mesopotamia.

This clearly disturbed the Foreign Office, which had hoped for far more positive political support from the United States in a deeply troubled area. However, all that it could obtain from the State Department was a commitment - later partially retracted - that it would not take any definite step unless it consulted the British Government first: nor would it allow the Persian Government to play off the United States against

1. W. Morgan Shuster to Persian Minister, 20 November 1921, Vol.38, Lansing MSS.

2. Memo by A.W. Ferrin on Persian Oil, 28 May 1930, 891.6363/655, R.G.59, N.A.

Great Britain.¹ In view of this equivocal position, and the appearance on the scene of Sinclair, the Foreign Office therefore decided, against the advice of its new Minister to Persia, Sir Percy Loraine, not to retract from its insistence that the Khoshtaria concessions were valid.² Nonetheless, the Foreign Office continued to support the Jersey Standard/Anglo-Persian combine, even - reluctantly - giving permission for Anglo-Persian royalties to be used as security for a loan to the Persian Government. In a strange reversal, whereas in late 1921 agreement in Persia had appeared so vital to the Foreign Office that it was prepared to accept the extension of a commercial settlement to Mesopotamia, in the first five months of 1922 it was in order to open up a path for co-operation in Mesopotamia that the Foreign Office continued to promote the North Persian scheme.³ Additional problems were caused by the apathy of Jersey Standard, only involved in North Persia at the instigation of the State Department:⁴ Lindsay scornfully commented that 'The Americans, when venturing their money outside their own continent are as timid as hares'.⁵ Although

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1. Geddes to Foreign Office, 23 December 1921, E14093/76/34; Foreign Office minutes on E14086/76/34, both on F.O.371/6418; and memo of an interview at the Department of State between Embassy and Department officials, 17 December 1921, E253/7/34, F.O.371/7812.
 2. Loraine to Crowe, 23 December 1921; and Crowe to Loraine, 29 December 1921, both on E14291/76/34, F.O.371/6419.
 3. The long drawn out history of the North Persian concession, 1922-1925, is discussed in Davis, British Oil Policy, pp.185-196. See also minutes and correspondence on E590/7/34, F.O.371/7813.
 4. Correspondence and minutes on E798/E590/E799/E904/E905/E981/E1005/7/34, F.O.371/7813.
 5. Minute by Lindsay, 30 January 1922, on E1005/7/34, F.O.371/7813.
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the Foreign Office concurred in the terms of the Jersey Standard/Anglo-Persian agreement,¹ it was still deeply suspicious of the Standard Oil Company, and especially its Managing Director, A.C. Bedford: 'I dont think we need be afraid to let Mr. Bedford come to the F.O. [sic] provided we dont forget that who sups with the devil needs the devil of a long spoon'.²

However, despite Foreign Office support, and the enthusiastic promotion of Sir Percy Loraine, who felt it was essential to involve the United States in the maintenance of stability and the status quo in Persia,³ the binational syndicate ultimately failed, due to the inherent Persian hostility towards the British, and in June 1922 the Majlis voted for a concession to be offered to Sinclair. Yet again, the State Department refused to lend its political support to one American company in competition with another.⁴ Unappreciative of this stance, G.P. Churchill commented that, since Sinclair was widely suspected of bribing Persian politicians freely, 'The only possible conclusion is that the State Department are deliberately favouring the Sinclair Corporation'.⁵ This was probably a false impression, for the

1. Correspondence and minutes, E1193/7/34, F.O.371/7813.

2. Minute by Lindsay, 24 March 1921, on E3183/7/34, F.O.371/7815.

3. Loraine to Foreign Office, 15 March 1922, E4744/7/34, F.O.371/7816.

4. Foreign Office to Geddes, 15 June 1922, E5976/7/34, F.O.371/7816; Memo by G.P. Churchill, 12 June 1922, E6055/7/34, F.O.371/7817; and Geddes to Foreign Office, 20 June 1922, E6226/7/34, F.O.371/7817.

5. Minute by G.P. Churchill, 21 June 1922, on *ibid.* There is no sign of this in State Department correspondence. Charles Hughes to Sinclair Exploration Company, 22 August 1921, 891.6363/282A; and Memo by A.W. Dulles, 29 August 1922, 891.6363/283, both on R.G.59, N.A., M715/26. The Persian Minister was also trying to elicit from the State Department which of the two companies it would prefer. L.H. Woolsey, (Lansing's law partner) to Robert Lansing, 15 August 1922, Vol.60, Lansing MSS.

State Department continued to favour Anglo-American co-operation,¹ whilst Robert Lansing advised the Persian Government that Standard offered the better terms.² This opinion was shared by Engert, who probably spoke for officials of both governments in commenting

The oil concession business has degenerated into an unseemly scramble by Sinclair to snatch it from the Standard...I think myself the Standard will after all, get the concession, but I cannot imagine that Persia's negotiations with Sinclair after having spontaneously offered the concession to Standard, will enhance Persia's credit in U.S.A. [sic] either moral or material. 3

By June 1922, it was no longer necessary to promote Anglo-American co-operation in Persia in order to contrive a settlement in Mesopotamia. Thus, since the Foreign Office resented the embarrassing situation whereby it was championing Standard Oil interests vis-à-vis Sinclair, it was felt that the most appropriate course of action was to abandon formal protests against the Sinclair negotiations. Should Sinclair obtain the concession, it was decided, the Anglo-Persian claim, by virtue of the Khoshtaria concessions could be reasserted.⁴ Attempts to win State Department support for the Anglo-American syndicate, by arguing that the Sinclair proposal, with its provision reserving participation exclusively to Persians and Americans, was against the open door principle, were unsuccessful.⁵ The Foreign Office, therefore,

1. Memo by A.W. Dulles, 14 August 1922, 891.6363 St. Oil/237; and Phillips to Hughes, 18 August 1922, 891.6363 St. Oil/238, both on R.G.59, N.A., M715/27.

2. Memo on Standard Oil draft concession, 2 September 1922, and Memo on Sinclair draft concession, 5 September 1922, by Lansing and Woolsey, Vol.60, Lansing MSS.

3. Private letter, Engert to Loraine, 19 August 1922, 891.51A/88, R.G.59, N.A., M715/21.

4. Correspondence and minutes, E6317/7/34, F.O.371/7817; and Foreign Office to Loraine, 28 June 1922, *ibid*.

5. Correspondence and minutes on E6328/E6452/E6717/7/34, ~~F.O.371/7817~~

effectively lost interest. One of its ultimate goals, the involvement of the United States in Persian stability, was in any case partially achieved by the arrival in Persia in October 1922 of an American Financial Mission, led by A.C. Millspaugh.¹ The saga of North Persian oil was to prolong itself until 1925, but by June 1922 it had effectively ceased to be an issue in Anglo-American relations. The eventual (albeit temporary) success of Sinclair was certainly not regarded by the British as due to the underhand dealings of the State Department, but as a commercial failure on the part of Jersey Standard and Anglo-Persian: 'The two companies between them have already bungled and wasted a good bit of time by not outbidding the Sinclair group'.² North Persia, though pointing the way to a more comprehensive oil settlement between Great Britain and the United States, was not to be worked by an Anglo-American syndicate.

Certain clear features emerge from this study of the struggle for the North Persian oil concession. The State Department, in its dealings with Persia, was to demonstrate the same blend of idealistic principle, practical desire for economic expansion, and rigid determination to avoid political entanglements that characterized its attitude towards the entire Middle East. It was, however, prepared to offer more support to the Persian Government, in the form of nominating advisers, than to other Middle Eastern states, partly as the consequence of the historic Perso-American relationship (notably, the Shuster mission), partly due to the

1. For an account of this mission, see A.C. Millspaugh, Americans in Persia (Washington D.C., 1946), ch.3; and Douglas L. Smith, 'The Millspaugh Mission and American Corporate Diplomacy in Persia, 1922-1927', Southern Quarterly 14 (1976), pp.151-172.

2. Minute by Oliphant, 14 January 1924, on E544/44/34, F.O.371/10125.

initiative and insistence of the Persians themselves. However, Ambassador Davis' assessment of the situation was unerringly accurate: American protests against infringements of Persian self-determination were somewhat specious unless the United States was prepared to offer concrete assistance. This, of course, she refused steadfastly to do, insisting that even the State Department's nomination of a Financial Adviser was without responsibility. In effect, therefore, despite her protests at the time of the Anglo-Persian Agreement, the United States had to concede to the British a special relationship with Persia, if only in order to encourage the stability within which American commerce could flourish. However the open door - or, more accurately, opportunity for American oil companies to penetrate Persia - was one principle that the United States was not prepared to compromise. Yet, having obtained for two American oil companies the opportunity to secure the North Persian oilfields, the State Department was unprepared to go further and actively to support those companies, fearful that it might be drawn into political entanglements in Persia. It is, however, interesting to note that, so anxious were Secretaries Hughes and Hoover of the Harding Administration to obtain oil resources abroad for American companies that they were prepared to push those companies into taking opportunities which they had not sought, and were not particularly anxious to exploit.¹

As has clearly emerged from this discussion, although supporting the concept of Anglo-American commercial co-operation, the United States Government was not prepared actively to promote it

1. The attitude of the Harding Administration will be discussed in greater detail in Chapter 5.

by political support. However, after initial hostility to American interference at the time of the abortive Anglo-Persian Agreement, Great Britain was to become so anxious to encourage Anglo-American co-operation, that she not only welcomed the appointment of an American Financial Mission, but contemplated extending an oil agreement beyond North Persia to Mesopotamia. This change of policy, as will be shown to be the case in Mesopotamia, came at a critical point not only in Middle Eastern affairs, but also in Anglo-American relationships. In the case of Persia, it is difficult to be sure which most influenced the decision to welcome a policy of co-operation, although it is notable that the first suggestion came from G.P. Churchill, a member of the Eastern Department of the Foreign Office deeply involved in Persian matters. E. Weakley, the Foreign Office's oil expert, was not involved until after the projected link with Mesopotamia.

However, North Persia was, as Lindsay pointed out, 'remote'. Moreover, apart from the skirmish over the Anglo-Persian Agreement, there was no prolonged diplomatic correspondence between the United States and Great Britain on the issue, for Persia, as an independent country, was responsible for the issue of its own concessions. Anglo-American controversy was far more acute over the mandated territories for which the British bore ultimate political responsibility. Thus, although the projected commercial settlement in North Persia was to provide a model whereby the Mesopotamian controversy could be solved, other factors were also of significance. Of critical importance was the transfer of administrative responsibility for the mandated areas to the Colonial Office, as the following discussion of Palestine will demonstrate.

Chapter Four

Conflict and Reconciliation in Palestine, 1919-1924

Before the First World War, the Standard Oil Company of New York (Socony) had been the only major American oil company interested in the potential oil wealth of the Ottoman Empire. With its rich markets for kerosene in the Near and Far East, Socony desperately needed a regular source of production¹ which, for reasons of economy, it chose to obtain near its market rather than on the American continent. In 1913-14, Socony sent exploration parties to Palestine, Anatolia, and Eastern Thrace, and eventually acquired several licences for mineral prospecting in Palestine. The company had commenced building roads and exporting machinery preparatory to commencing exploration proper, when work was halted by the outbreak of war in November 1914.² However, a Socony representative (William Yale) remained in Jerusalem until 1917, and during the course of the war, in 1916, Socony acquired another 60 prospecting licences.³ It should be recalled that at this time the United States was still neutral and maintained full diplomatic relations with the Ottoman Empire. Following the Armistice of Mudros, in October 1918, it was inevitable that, in view of its established trading position in the East, together with the threatened world shortage of oil,⁴ Socony would be anxious to recommence work on its claims.

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1. In 1911, the Standard Oil Company had been dissolved, in accordance with the 1890 Sherman Anti-Trust Law, into its various component companies, of which Socony was one. Since it had been the exporting and marketing company for the trust, it was left with very little production capacity of its own.
 2. Shwadran, p.449; U.S. Vice-Consul, Jerusalem to U.S. Secretary of State, 3 November 1913, File 867.6363/1; and same to same, 10 April 1914, File 867.6363/4, both in R.G.59, N.A., M353/67.
 3. L.I. Thomas (Socony) to U.S. Secretary of State, 1 March 1922, file 867n.6363/34; and same to same, 6 March 1922, file 867n.6363/35, both in R.G.59, N.A. M.353/87.
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However, the situation in Palestine had altered radically since 1914. Formerly an integral part of the Ottoman Empire, in October 1918 Palestine was no longer under Turkish rule, but Allied military occupation. It was already assumed, and by January 1919 it had been formally decided by the Versailles Peace Conference, that Palestine would become a new state, within the mandate system, under either international, or possibly British or American, trusteeship. Meanwhile, pending the formal renunciation of sovereignty by Turkey and the choice of a mandatory power, the resumption of normal economic and commercial life in Palestine, and the creation of a civil administration to regulate it, was legally impossible. Moreover, other problems existed, which had to be solved before a new, permanent administration assumed power; for example, how far the obligations of the pre-war Ottoman Empire, such as the recognition of concessions, and the repayment of international debts, had been transferred to the successor states; what were to be the boundaries of the new 'Palestine', which did not correspond exactly to any of the ex-Ottoman vilayets; the precise terms of the mandate; and, overshadowing all these in political significance, the implications and implementation of the Balfour Declaration of 2 November 1917, by which the British Government had committed itself to the creation of a Jewish National Home.¹ Amongst many connotations of this policy was the question of whether the Zionist Organization would be given economic or commercial priority in Palestine.²

1. For documents relating to the decision to make this Declaration, and its text, see Doreen Ingrams, ed., Palestine Papers 1917-1922: Seeds of Conflict (London, 1972), (hereafter cited as Ingrams), pp.7-18; see also Leonard Stein, The Balfour Declaration (London, 1961); and Isaiah Friedman, The Question of Palestine, 1914-1918: British-Jewish-Arab Relations (London, 1973), (hereafter cited as Friedman).

2. Memorandum of a conversation between Chaim Weizmann and Arthur Balfour, 4 December 1918, Ingrams, p.46.

Thus, although Socony sought permission to resume its interrupted exploration, and maintained representatives in Jerusalem in case such permission was given, the British authorities administering Occupied Enemy Territory consistently refused the company's requests. This was to provoke a major diplomatic controversy between, on the one hand, the British Government, responsible for administering Palestine, and ultimately, for implementing the Balfour Declaration; and, on the other, the American company, Socony, strongly supported by the United States Department of State.

At first sight, it may appear that Palestinian oil was of very little significance,¹ for no substantial production was ever achieved. Moreover, neither of the two major oil companies involved during the 1920s, Socony and the Turkish Petroleum Company, exercised the option of converting their prospecting licences into mining concessions. However, the Palestine oil issue was important for two reasons; it contributed to Anglo-American friction concerning oil in the years 1919-22²; and it was also one important factor in the rapprochement of 1921-2, which relieved so much of that tension. Moreover, the discussion which took place in the Foreign and Colonial Offices on the subject of the Socony claims frequently had implications for the more intense controversy over Mesopotamia and North Persia. To the United States Government, the issue provided a concrete case of direct infringement of American rights, which could legitimately be made the subject of diplomatic protest. It also contributed greatly to the evolution of State Department thinking on the intentions and nature of British Middle Eastern oil policy.

1. This may explain why there is no discussion of Palestine in a recent thesis, Davis, British Oil Policy. In view of the wider significance of the Palestine issue, however, as this chapter will illustrate, such an omission would appear misguided.

There were definite similarities between the controversy over Socony claims in Palestine, and that surrounding the Turkish Petroleum Company's so-called 'concession' in Mesopotamia, in that what was at issue was the existence of a pre-war claim to certain rights, although it would appear that, in Palestine, the rights were considerably less ambiguous than in Mesopotamia. Negotiations and discussions on both questions were to be intertwined, and decisions on the Palestinian claims were frequently taken more to avoid possible repercussions in Mesopotamia, than strictly on the merits of the particular case.

Essentially, the controversy centred around the policy to be adopted by the power occupying ex-enemy territory in the Middle East towards the grant or confirmation of concessions. To the United States it was to appear as though Great Britain, in adopting the policy she did, was motivated by a desire to monopolize the oil resources of the Middle East, by effectively denying access to them, except to British companies. In adhering to this belief, the United States failed to acknowledge the very real difficulties which the British faced in responding to American requests for a more flexible policy. For, pending the conclusion of a peace treaty with Turkey, Great Britain, albeit the occupying power, had no legal right to reorganize the ad hoc administrations of Mesopotamia and Palestine, so as to create permanent institutions of government. By the Laws and Usages of War, occupying forces could only exercise such powers as were necessary for the purpose of the war (while it lasted), the maintenance of order and safety, and the proper administration of the country. This did not include the confirmation of concessions or other rights acquired before the war from the Ottoman Government, a task which in Palestine would have been made

difficult in any event by the closing of the land registries.¹

Thus, although the military administrations in the Middle East were under the day-to-day command of the War Office, the Foreign Office attempted to impose upon O.E.T.A.² a neutral policy on the question of mineral resources, i.e. of refusing to grant or confirm any concessions in occupied territory until the Treaty of Peace with Turkey was ratified, and the mandates formally assigned.

In Mesopotamia, as discussed above, the military administration had begun by 1919 to give way to a more permanent and highly organized government, since it was assumed that, in some guise or another, the vilayets of Basra and Baghdad, at least, would be incorporated into the British Empire. In Palestine, however, which was in any case occupied at a later stage of the war, (December 1917 - September 1918), there was little incentive to institute a permanent government structure, since ultimate political control of the country was uncertain. The Sykes-Picot Agreement of 1916³ had designated Palestine as an international protectorate, whilst during the war, and even at the Paris Peace Conference, suggestions were made that the United States might undertake mandates for the internationally sensitive areas of the ex-Ottoman Empire, including Palestine.⁴

1. These were closed because of the chaotic state in which they had been left by the fleeing Turkish authorities. They were not reopened until September 1920, after a civil administration had been instituted.

2. Occupied Enemy Territory Administration.

3. The Sykes-Picot Agreement is in Hurewitz, II, pp.18-22. See also Kedourie, England and the Middle East, pp.29-45; Peter Mansfield, The Ottoman Empire and its Successors (London, 1973), pp.40-41; and Ann Williams, Britain and France in the Middle East and North Africa 1914-1967 (London, 1968), p.14.

4. Ingrams, pp.38-9 and 48-51; and Friedman, pp.53-6. The 'Inquiry' had recommended to President Woodrow Wilson in January 1919 that Palestine should be under British tutelage, but even as late as August 1919, the King-Crane Commission recommended that Syria, including Palestine, should be a single mandate under U.S. control. Hurewitz, II, pp.40-45 and 66-74.

Despite these suggestions, opinion generally within the British Government was in favour of a British protectorate or mandate, a solution advocated in particular by Lloyd George and Lord Curzon.¹ However, although as a consequence of this viewpoint, the French were asked in February 1919 to agree that Palestine should come under British hegemony, the British could nonetheless legitimately emphasize the necessarily temporary nature of their administration in Palestine; at least until the San Remo Conference of April 1920, at which the Middle Eastern mandates were allocated between Britain and France, and the British area of responsibility delimited. Thereafter, the first British Civil Commissioner, Sir Herbert Samuel, was appointed, arriving in Jerusalem on 30 June 1920 to commence the task of establishing a civil government. The legal standing of that government was still subject to doubt, however, for the Treaty of Peace with Turkey, formally separating Palestine from Turkish sovereignty, had still not been signed, nor had the Middle Eastern mandates been ratified by the League of Nations, a ratification delayed by United States insistence that she be consulted before the mandates were approved. The Palestine mandate was not finally confirmed by the League of Nations until July 1922, and was not officially in operation until September 1923.²

The uncertainty engendered by this delay in ratification was exacerbated by a further anomaly. By the mandate principle,

1. Friedman, pp.125-202.

2. It was not until 1924 that the dispute with the United States over the Palestine mandate was finally settled by an Anglo-American convention, whereby the United States secured the safeguards which it had insisted upon for American commercial and other rights in Palestine and, in return, formally 'consented to the exercise of the Mandate by Great Britain. Convention between the United Kingdom and the United States of America, respecting the rights of the Governments of the two countries, and their respective Nationals in Palestine. Cmd. 2559, 1925, Treaty Series No. 54.

Great Britain was bound to guide Palestine toward self-government and independence; yet, by the Balfour Declaration, which was incorporated into the mandate, Britain was committed to an unpopular policy, which a representative, Arab-dominated administration would not implement. This commitment was to affect the evolution of a concessions policy in two ways. The endemic law and order problem, caused by continual tension between the two main religious communities, was to dominate and influence all other political decisions. Moreover, in the mandate there was provision for the Zionist Organization to be given economic and commercial priority so as to utilize the apparently large sums of Jewish capital available to develop Palestine. The only clear-cut decision, imposed upon Great Britain by the terms of the projected mandate, was that in granting concessions she would avoid monopoly or discrimination, at least against the nationals of states which were members of the League of Nations.¹

It is against this background of obscurity and conflicting commitments that the diplomatic controversy with the United States must be seen, and it is perhaps hardly surprising that the Foreign

1. Since the Palestinian oil controversy was in fact settled prior to the ultimate implementation of the mandate, the terms of that mandate might appear to be irrelevant. However, they did reveal the intentions of the British Government, and, in draft form, were to be the subject of diplomatic representations by the United States. The relevant articles were:
Article 11. 'The Administration may arrange with the Jewish Agency...to construct or operate, upon fair and equitable terms, any public works, services and utilities, and to develop any of the natural resources of the country, in so far as these matters are not directly undertaken by the Administration.'
Article 18. 'The Mandatory shall see that there is no discrimination in Palestine against the nationals of any State Member of the League of Nations (including companies incorporated under its laws) as compared with those of the Mandatory or of any foreign State in matters concerning taxation, commerce or navigation, the exercise of industries or professions, or in the treatment of merchant vessels or civil aircraft.'
Draft Mandates for Mesopotamia and Palestine. Cmd.1176, 1921.

Office's consistent policy was to refuse to verify Palestinian oil concessions until the political and legal situation was clarified. This policy, however, was unlikely to satisfy either Socony or the American State Department.

The suspicions of the former as to British intentions had already been aroused when, in September 1918, O.E.T.A. had requested access to company maps and documents held in Jerusalem.¹ Since Jerusalem was under military law, those responsible for Socony interests had complied with the request. It was as the result of a letter from Socony to the United States Secretary of State in March 1919, detailing this incident, and expressing concern that the British might attempt to prevent any American petroleum company from operating in territory under British control,² that the State Department took up the matter with the Foreign Office.³ Socony was strongly exercised over the British attitude, and without waiting for a response to this first diplomatic intercession, pressed the State Department to take the matter further, claiming to see the seizure of papers as possible 'only the forerunner of other more serious interferences with our proposed development of the oil fields of Syria and European Turkey', and urging the State Department to take steps 'to see that in any readjustment of territory that may take place in the Near East such American rights will be accorded full recognition and protection against possible discrimination.'⁴

1. Shwadran, p.449.

2. Standard Oil Company (New York) to Acting Secretary of State, 15 March 1919, For. Rel. 1919, Part III, Vol.II, pp.250-2.

3. William Phillips, Acting U.S. Secretary of State, to the U.S. Ambassador in Great Britain, John W. Davis, 18 March 1919, For. Rel. 1919, Part III, Vol.II, p.252. For an account, from the United States' point of view, of the early stage of the controversy, see DeNovo, American Interests, pp.169-175; and Shwadran, pp.449-452.

4. H.E. Cole (Socony) to Frank Polk, Acting Secretary of State, 5 May 1919, file 467.11St. 25/31, R.G. 59, N.A.

After repeated requests for information from O.E.T.A.¹ the British Government in June 1919 assured the Americans that its examination of Socony's documents had been solely to determine what concessions had in fact been granted, and that it had been carried out after application to the Spanish consul, who represented American interests.² The careful wording of this reply - for the Spanish consul had not in fact given his approval - was bound to arouse the suspicions of the State Department. It had already been alerted to possible British intentions by Socony; moreover, during the intervening three months the first manifestations of the Anglo-American 'oil war' had aroused both public and political sentiment in the United States. The equivocal nature of the British reply, therefore, gave scope for a State Department rejoinder, which, whilst raising the somewhat embarrassing issue of whether the Spanish consul had assented to the examination, also expanded the scope of the enquiry. Specifically asking for information as to whether any counter claims had been made covering the Socony licences, or whether holders of any concessions granted by the Ottoman Government had been permitted by the British military authorities in Palestine to operate them,³ the State Department clearly felt that the British could not be relied upon to safeguard and respect established American rights. Although the United States Government had commenced the correspondence solely at the request of the interested American company, the impetus for continued

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1. Various correspondence on 44/57284/17115; 44/64451/17115, and 44/80433/17115, F.O. 371/4208.
 2. British Acting Secretary of State for Foreign Affairs to U.S. Charge d'Affaires, London, 3 June 1919, For. Rel. 1919, Part III, Vol.II, pp.253-4.
 3. Acting U.S. Secretary of State to U.S. Ambassador in Great Britain, 7 July 1919, For. Rel. 1919, Part III, Vol.II, pp.254-5.
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protest now came increasingly from within the State Department, the Foreign Trade Adviser expressing his opinion that 'I am quite certain that if Palestine is to fall under the sphere of British influence the Standard Oil Comp (sic) will encounter serious difficulties', and recommending that the United States Government should 'emphasize to the British authorities that they may expect a scrap if they attempt any freezing out process of American interests in Palestine hereafter'.¹

It was unfortunate, in view of this hardening attitude within the State Department, that the British Foreign Office was unable to reply promptly to the American note, since O.E.T.A. proved extremely dilatory in responding to requests for further information. By September 1919, the patience of the State Department had worn thin, and it was therefore decided to make further formal - and strong - representations to the British Government.²

Although the long delay exacerbated American suspicions of British intentions, it had however allowed time for the British to devise a consistent policy to be followed towards concessions in occupied territory in general, and towards Palestine in particular. Immediately after the Armistice of Mudros, and indeed until the spring of 1919, there had seemed little need for the Foreign Office to formulate any sort of concessions policy to be followed in the occupied territories, and those areas designated as future mandated regions. It was assumed that all such questions would be settled by the Treaty of Peace with Turkey, a treaty that

1. Office of Foreign Trade Adviser to William Phillips, 3 July 1919, file 467.11st.25/34, R.G. 59, N.A., quoted in DeNovo, American Interests, p.170.

2. Acting U.S. Secretary of State to Commission to Negotiate Peace, 18 September 1919, and Commission to Negotiate Peace to Acting Secretary of State, 29 September 1919, For. Rel. 1919, Part III, Vol.II, pp.255-6.

should originally have been drafted at Versailles.¹ This does not imply that the Foreign Office had not considered the concessions question. Several officials would have liked to have seen any concessions granted by the Ottoman Empire in the successor states since the date of Turkey's entry into war declared null and void, and some would have liked to have seen the cancellation of all concessions and options held in Turkish territory in 1914.² But in view of the international complications such policies would entail, it was obviously preferable that the settlement of the entire issue should be left for the peacemakers to decide.

However, as the process of peacemaking extended into the summer, the problem of administration in occupied enemy territory and, with it, the need for some sort of unified policy on concessions, became more acute, especially following the United States' diplomatic intervention. In default of any considered decision by either the Peace Conference or Whitehall, the policy in operation in Palestine was that dictated by General Allenby, that is, that no developments to oil bearing areas could be permitted until the provisional administration was superseded by the permanent administration of Palestine.³ Such an ad hoc decision was, however, inadequate in view of the increasing pressure from the United States, and by July 1919, G. Kidston of the Foreign

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1. See various correspondence and minutes, April-May 1919, file 33635, F.O. 371/4211.
 2. Sir Eyre Crowe (for A. Balfour) to Lord Curzon, 11 July 1919, and attached minutes, 44/101990/87018, F.O. 371/4229.
 3. General Allenby, Cairo, to Lord Curzon, 26 April 1919, 44/70949/17115, F.O. 371/4208.
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Office was expressing forcefully the hope that 'it may be possible to lay down some general principle with regard to them (concessions) without delay'.¹ However, the Foreign Office was handicapped by the split in authority between London and Paris, which necessitated the referral of policy decisions to Balfour at Versailles.² Moreover, in Palestine especially, the problem was exacerbated by the need to take account of the Zionists.³

It was the Zionists' desire, as part of an extensive programme of economic development, to foster public works, such as electricity, drainage, irrigation and afforestation, and to develop the natural resources and economic potential of Palestine, therefore necessitating the exercise of some control over the granting of concessions. In November 1918, when the Zionist Organization had submitted proposals to the Foreign Office for the attention of the Peace Conference, they had requested that '...no concessions should be granted until the Jewish Council has had an opportunity of expressing its views, and if so advised, offering to undertake any works of development that are desirable and practicable'.⁴

The Foreign Secretary, Arthur Balfour, appeared willing to support the Zionist position, informing the Foreign Office that,

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1. Minute by G. Kidston, 18 July 1919, on 44/101990/87018, F.O. 371/4229; and minute by G. Kidston, 11 September 1919, 44/126355/17115, F.O. 371/4208.
 2. Foreign Office to Balfour, 25 July 1919, 44/101990/87018, and other correspondence in same file, F.O. 371/4229.
 3. A complication of which the Foreign Office was well aware. Minute by General Clayton, 25 July 1919, 44/103809/17115, F.O. 371/4208; minutes by E. Weakley and G. Kidston, November 1919, 44/148099/19165, F.O. 371/4209.
 4. Ingrams, pp.52-4; See also Record of a Meeting between Weizmann and Clayton, July 1919, *ibid.*, p.79.
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since the best means of encouraging the non-Jewish inhabitants of Palestine to welcome the 'National Home' was by showing them the advantages accruing to them as a result of the economic influence of the Jews,

...as long as His Majesty's Government are in military occupation of the country, no policy should be adopted or steps taken which would enable commercial interests, however reputable, and whether British or foreign, to establish themselves in Palestine or obtain control over the land or the principal industries...

at least until such time as the British Government could work out the full implications of their acceptance of the mandate, and the policy of establishing Palestine as a National Home for the Jews.¹

This policy caused some consternation within the Foreign Office,² but, in the face of increasing demands from concessionaires for permission to recommence or commence exploitation, and Zionist protests at any possibility of concessions being given to non-Zionists (such as Socony),³ the Foreign Office perforce evolved a policy of 'non-action'; that is, it was decided that, pending the signing and coming into force of the Peace Treaty, and the allocation and ratification of the mandates, no concessionaires would be allowed to commence or recommence work.⁴ Such a policy appeared eminently sensible, for it was presumed that the Peace Treaty would almost certainly give to the successor states the right to amend or cancel

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1. Mallet (for A. Balfour) to Lord Curzon, 7 May 1919, 44/70893/51705, F.O. 371/4215.
 2. Minute by G. Kidston, 11 September 1919, on 44/126355/17115, F.O. 371/4208.
 3. Correspondence and minutes, September 1919, 44/126355/17115, F.O. 371/4208.
 4. A policy first suggested in June 1919. Foreign Office to Petroleum Executive, 10 June 1919, 44/76864/17115, F.O. 371/4208.
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existing concessions granted by the Ottoman Empire if such action was in the public interest.

So, despite the presence of American geologists in Jerusalem anxious to resume work,¹ the knowledge that 'the Americans are restive about oil',² and even the recommendation of the local British authorities that permission be given to Socony to commence work,³ it was decided by the Foreign Office that no exploration should take place in Palestine during the temporary administration.⁴ It would seem that, having arrived at a definite and apparently justified policy by August 1919, the Foreign Office was in a strong position to respond to the renewed United States protests the following month.

Unfortunately, however, the British Government had already infringed its own principle, for in June 1919, at the instigation of Balfour, the Zionist Organization had been allowed to send a geological party, led by an American geologist, Julius Fohs, to investigate oil and mineral resources in Palestine.⁵ This, and War Office operations in Mesopotamia,⁶ left the Foreign Office exposed, and angry at decisions being taken elsewhere which countered its policy.⁷ There were to be severe repercussions,

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1. Colonel French, Cairo, to Lord Curzon, 13 August 1919, in D.B.F.P., 1st Series, Vol. 4, p.352.
 2. Minute by Ronald Lindsay, 18 August 1919, on 44/115952/17115, F.O. 371/4208.
 3. Colonel French, Cairo, to Lord Curzon, 13 August 1919, D.B.F.P., 1st Series, Vol. 4, p.352.
 4. Lord Curzon to Colonel French, Cairo, 30 August 1919, *ibid.*, p.366; and Minute by O.A. Scott, 15 August 1919, on 44/115952/17115, F.O. 371/4208.
 5. A. Balfour to General Clayton, Cairo, 16 June 1919, and General Clayton to Lord Curzon, 19 June 1919, D.B.F.P., 1st Series, Vol. 4, pp.277-8, and 280.
 6. See Chapter 2 above.
 7. G. Kidston, Foreign Office, to Sir G. Clerk, Paris, 29 July 1919, D.B.F.P., 1st Series, Vol. 4, pp.1102-3.

since the State Department became aware of the operations of the Shell geologists in Mesopotamia, and attempted to use this to force the way open in Palestine for Socony, placing Lord Curzon in the somewhat embarrassing position of having to admit that the Foreign Office had known nothing of the activities of the War Office, and resisting American attempts to use this to their own advantage by arguing that 'the worst way of rectifying it would be to consent to its repetition'.¹

His assertion that the Foreign Office were adopting exactly the same principle in dealing with British firms was, however, accurate. Although in early 1919 the Foreign Office had encouraged the Anglo-Persian Oil Company in trying to obtain options on concessions in the Dead Sea area,² it steadfastly refused permission to S. Pearsons and Son Ltd. to send a geologist to Palestine to explore for oil,³ and was at pains to make plain to a proposed Anglo-French syndicate led by Lord Drogheda, which hoped to develop oilfields in Syria and Palestine, that nothing could be done until a settlement was finally reached.⁴ However, this was unlikely to avert State Department protests at other infringements of declared Foreign Office policy, and even before the Americans had raised the issue of the Shell geologists, Kidston had begun

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1. Lord Curzon to J.W. Davis, U.S. Ambassador in Great Britain, 21 November 1919, D.B.F.P., 1st Series, Vol. 4, pp.541-2.
 2. See nos. 17115, 28875, 31637, 39523, all in file 17115 of the Turkey (44) files, F.O. 371/4208. The Foreign Office later refused permission for Anglo-Persian to commence surveying the options it had acquired. Foreign Office to Petroleum Executive, 10 June 1919, 44/76864/17115, F.O. 371/4208.
 3. See various correspondence on E175/E1220/175/44, F.O. 371/5150.
 4. G. Kidston to Sir G. Clerk, 1 August 1919, and Minute by E. Weakley, 13 July 1919, D.B.F.P., 1st Series, Vol. 4, pp.1105-7. The Foreign Office was far from enthusiastic about this syndicate. See minutes on 44/148798/17115, and various documents in file 17115, F.O. 371/4208.
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to despair that the concessions policy could continue in operation, for 'the threatened representations by the U.S. [sic] Embassy on behalf of the Standard Oil Co. [sic] may knock the bottom out of it altogether'.¹ Possibly as a consequence of the Zionist sponsored survey of Palestine, Socony was becoming concerned lest Zionist interests attempt to exclude outsiders,² a concern not necessarily relieved by Zionist assurances that they would raise no objection in respect to pre-war concessions granted to foreigners.³ By now the company also professed to believe that the British intended to refuse all concessions as they wished to control all concessions of any value themselves.⁴

In view of the uncertainty and confusion that seemed to prevail, the State Department decided in September 1919 to instruct the Ambassador in London to endeavour to secure the removal of restrictions on the movements of the three Socony geologists already in Jerusalem, and to send a note affirming the rights of American nationals under concessions not worked but duly consummated after Turkey entered the war.⁵ In October 1919, therefore, John Davis made strenuous representations on behalf of Socony, on an

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1. Minute by G. Kidston, 13 September 1919, on 44/127178/17115, F.O. 371/4208.
 2. U.S. Acting Secretary of State to Commission to Negotiate Peace, 18 September 1919, For. Rel. 1919, Part III, Vol.II, pp.255-6.
 3. Commission to Negotiate Peace to Acting U.S. Secretary of State, 29 September 1919, For. Rel. 1919, Part III, Vol.II, p.256.
 4. A. Southard, U.S. Consul, Jerusalem, to U.S. Secretary of State, 30 September 1919, For. Rel. 1919, Part III, Vol.II, pp.256-7.
 5. Commission to Negotiate Peace to U.S. Secretary of State, 29 September 1919, and J.W. Davis, U.S. Ambassador, London, to U.S. Secretary of State, 14 October 1919, For. Rel. 1919, Part III, Vol.II, pp.256-7.

informal basis, only to be met with a reiteration of established Foreign Office policy.¹

Neither side appears to have been convinced by the arguments of the other. The State Department felt that there had been serious interference with the rights of American citizens, and that the British had offered insufficient justification for this. In presenting this argument Davis's case was strengthened by the activities of the Shell geologists in Mesopotamia, activities which he was not slow to bring to the attention of Lord Curzon. He therefore suggested that it was feasible for the British authorities to allow those with legal rights to continue their activities, and that in view of the already formulated mandatory principles guaranteeing equal opportunities, the question of the mandatory power was not really relevant.²

Lord Curzon was clearly not convinced by these arguments; indeed, he expressed doubt as to whether Davis himself was really convinced by them. He both refuted Davis's claims that the mandate would necessarily go to Great Britain, and that the mandatory principle of equal opportunity was universally accepted, claiming that the French still regarded the entire question as open. In retort to the request that those with legal rights should be allowed to operate them, he argued that such would be the number of claims, that Palestine would be chaotic. On the same grounds, he refused

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1. J.W. Davis to U.S. Secretary of State, 14 October 1919, Acting Secretary of State to J.W. Davis, 24 October 1919, and Acting Secretary of State to J.W. Davis, 25 October 1919, For. Rel. 1919, Part III, Vol. II, pp.257-9; Lord Curzon to Viscount Grey, Washington D.C., 30 October 1919, D.B.F.P., 1st Series, Vol. 4, pp. 501-3; and J.W. Davis to Lord Curzon, 31 October 1919, 44/148099/19165, F.O. 371/4209.
 2. U.S. Acting Secretary of State to J.W. Davis, 24 October 1919, and U.S. Acting Secretary of State to J.W. Davis, 25 October 1919, For. Rel. 1919, Part III, Vol. II, pp.258-9.
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to draw a line between the procuring and operation of concessions, which might well be forbidden, and simple investigation of existing claims, which might be allowed to proceed.¹ This complete hostility to the United States demands, and unwillingness to compromise, was apparently shared by others in the Foreign Office, which despite the sensitive state of Anglo-American relations showed no sign of being disposed to allow Socony some privileges to counteract those granted by the War Office to Shell in Mesopotamia. Weakley expressed the opinion that

It seems most unreasonable that we should be asked to change our whole policy in regard to the question of surveys and researches in O.E.T. (sic), simply because the Standard Oil Co. (sic) are impatient to start work...This attitude of the Standard Oil Co. (sic) shows an utter disregard of the fact that a state of war still exists with Turkey, and that we are in military occupation of the country. 2

Given this basic incompatibility of views, the rigidity of the Foreign Office, and Lord Curzon's own personality, it was apparent that accommodation was unlikely. This was particularly the case since enquiries of Cairo had brought the response that no British subjects had concessions in Palestine - in other words, a policy of easing the way of existing concession holders would benefit only foreigners.³

On 21 November 1919, the Foreign Office elaborated Lord Curzon's views as expressed in the earlier interview in a letter to Ambassador Davis. In this, Lord Curzon reiterated the Foreign

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1. Lord Curzon to Viscount Grey, 30 October 1919, D.B.F.P., 1st Series, Vol. 4, pp.501-3; John W. Davis to Frank Polk, 1 November 1919, Box 4, Part 1, Series II, Alphabetical Correspondence:Personal, Davis MSS.
 2. Minute by E. Weakley, 6 November 1919, on 44/148099/19165, F.O. 371/4209.
 3. Lord Curzon to Colonel French, 9 August 1919, D.B.F.P., 1st Series, Vol. 4, p.337, and Colonel Meinertzhagen, Cairo, to Lord Curzon, 1 November 1919, ibid., pp.504-5.

Office view that it felt the provisional character of the military occupation did not warrant the taking of decisions by the occupying power in matters concerning the future economic development of the country. It had hence decided that all such decisions should be left to the future mandatory power. Nor would it make an exception for cases of limited investigations or surveys, not only for the reasons cited above, but because it feared a rush of speculators, who would still aim at securing definite and exclusive rights.¹

A month later, in December 1919, Lord Curzon was finally able to reply to the Ambassador's letter of 30 July 1919 concerning the Socony maps. In this reply, he confessed that the British authorities had not obtained the Spanish consul's assent, but also stated that there were no counter claims to Socony's concessions, and that no holders of other concessions granted by the Ottoman Government had been permitted to operate.²

These two communications effectively deprived State Department officials of any further grounds on which to challenge Foreign Office policy - a fact which they recognized, but, with not only the interests of Socony in mind, but also the rights of United States citizens in other successor states, they decided to maintain informal diplomatic pressure, so as to ensure that the Foreign Office remained aware of the vital concern of the United States Government. It is difficult to say how far the Americans had in mind the importance of Palestine as a precedent for Mesopotamia, where the oil resources were likely to be much greater: for if the British were able to exclude or discriminate against American

1. Lord Curzon to J.W. Davis, 21 November 1919, D.B.F.P., 1st Series, Vol. 4, pp.541-2. This note had been very carefully drafted and corrected. See 44/148099/19165, F.O. 371/4209.

2. J.W. Davis to U.S. Secretary of State, 24 December 1919, For. Rel. 1919, Part III, Vol. II, pp.261-2.

citizens in an instance where they had clear rights, then there would be little or no chance of American companies obtaining participation in Mesopotamia, where the only American claims in existence were so weak. If discrimination were to occur in Palestine, the State Department made plain, the bad feeling that would result would lead to a deterioration in relationships between the two countries and - perhaps more threateningly - further complications concerning United States participation in the maintenance of the international settlement.¹

The strength of feeling within the State Department did not, however, lead to a resumption of formal correspondence between the United States Embassy and the Foreign Office. To some extent, this may be due to the possibility that in return for the recognition of Socony's claim, the British Government might demand that the TPC's claim in Mesopotamia should be similarly recognized, a demand the Americans would be unwilling to concede. There were no more formal notes on the subject of Palestinian oil until autumn 1921, by which time the context of the debate had changed, not least because Socony was already convinced that the Palestine concessions were of very limited value, and was contemplating the possibility of seeing them cancelled in return for fair participation in Mesopotamia.²

Nonetheless, in the spring of 1920 the State Department continued to utilize informal pressure, in an attempt to bring

1. U.S. Acting Secretary of State to Butler Wright, Chargé d'Affaires, London, 17 March 1920, For. Rel. 1920, Vol. II, pp.650-1.

2. Memorandum by A.C. Millspaugh of a conversation with L.I. Thomas, Socony, 18 January 1921, 811.6363/67, R.G. 59, N.A.

about a successful conclusion to the Palestine issue. To do so, it was prepared to be far more direct concerning the possible repercussions of the oil issue upon Anglo-American relations. Butler Wright, Chargé of the United States Embassy in London, had several discussions with Sir John Tilley of the Foreign Office's Eastern Department, either alone, or accompanied by L.I. Thomas of Socony. Although the representative of a private oil company, Thomas had been granted a - somewhat vague - official status by the State Department, which he did not hesitate to exploit in these interviews. Claiming to be presenting State Department views, he was especially aggressive, pointing out that the United States had expended its oil resources during the war to assist the Allies, and stating that 'not only the temper of the trade in America but the "temper of the State Department" was very high'.¹ His argument that, in view of the world shortage of oil, exploration should commence as quickly as possible, failed to impress Sir John Tilley, and was apparently not well supported by Butler Wright, who preferred the argument that since the Standard Oil geologists were already in Palestine, they might well be given preferential treatment.² This argument was rejected by the Foreign

1. Minute by Sir J. Tilley, 1 April 1920, of a conversation with Butler Wright and Thomas, 29 March 1920, E3304/175/44 in F.O. 371/5150. The official backing given by the State Department to Mr. Thomas is indicative, both of the seriousness with which they viewed the oil question, and also their naivety, since they apparently accepted at face value Thomas' assertion that he had powerful contacts in Britain which he intended to utilize in order to convince the British authorities to adopt a more conciliatory policy towards American interests. See minute A.C. Millspaugh, Office of the Foreign Trade Adviser, 18 February 1920, F. Polk to L.I. Thomas, 1 March 1920, and Minute by A.A. Adey to F. Polk, all on file 841.6363/21, R.G. 59, N.A. M580/145.

2. Minute by Sir J. Tilley, 1 April 1920, E3304/175/44, F.O. 371/5150.

Office, in view of the fact that Socony was well aware of British concessions policy when choosing to retain their geologists in Jerusalem,¹ but as Wright explained on a later visit, he had 'thought we might be glad of an excuse for letting the company representatives in Jerusalem get to work if only in order to remove one cause of the friction which seemed to be assuming formidable proportions'.² This specific reference to the rapidly worsening state of Anglo-American relations in the spring of 1920 clearly reveals how important oil was as a contributory factor in this process, and the extent to which the United States was prepared to utilize this ill-feeling in order actively to promote the economic interests of her citizens.

Apart from this veiled threat, by which Foreign Office officials were apparently not much moved, United States representations on the specific issue of Palestine oil concessions ceased. Hitherto, much of the diplomatic correspondence had related specifically to Palestine, since only there did an American company have pre-war rights, which were apparently being infringed, and which could be used to substantiate a demand that such pre-war rights should be recognized despite the declared Foreign Office policy on concessions. But such an argument was, of course, dangerous for, as the British were quick to argue, the Turkish Petroleum Company might be held to have similar rights. Moreover, having accepted as a bona fide policy the Foreign Office decision to

1. Minute by E. Weakley, 1 April 1920, *ibid.*

2. Minute by Sir J. Tilley, 14 April 1920, of a conversation with Butler Wright, E3222/175/44, F.O. 371/5150. In making this statement, Wright was expressing the opinion of the State Department. Frank Polk to J.W. Davis, 13 March 1920, 841.6363/29A, R.G. 59, N.A. M580/145.

postpone any action on concessions until after the ratification of the mandates by the League of Nations, and the coming into force of the Peace Treaty with Turkey, the United States had little new ground on which to protest, until such time as a draft mandate for Palestine was issued, or unless that policy was again infringed.

However, a new round of diplomatic correspondence was initiated by the San Remo Conference in April 1920,¹ which provisionally allocated mandates to France (for Syria) and Great Britain (for Palestine and Mesopotamia) thus rendering less believable British protestations that the eventual mandatory power had yet to be decided. Moreover, at that Conference an oil agreement was signed on 24 April 1920,² which could be read as instituting an Anglo-French conspiracy to divide up the petroleum riches of the Middle East. Despite non-publication of the agreement, the United States State Department was fully conversant with all the details by May 1920.³

After San Remo, the United States Government was therefore able to shift ground to the more abstract argument that she had, as a co-belligerent in Europe, equal rights in mandated territory, which she wished to see safeguarded under the terms of the mandates. However, the draft mandates presented to the League of Nations made

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1. For proceedings of the Conference at San Remo, 18-26 April 1920, see D.B.F.P., 1st Series, Vol. 8.
 2. Oil Agreement: Great Britain and France, in Hurewitz, II, pp.75-7. The content of the oil agreement is discussed in more detail in Chapter 2.
 3. H.C. Wallace, U.S. Ambassador, Paris, to U.S. Secretary of State, 3 May 1920, 800.6363/108, 3 May 1920, 800.6363/109, and 7 May 1920, 800.6363/113, all in R.G. 59, N.A.; and J.W. Davis, Ambassador, London, to U.S. Secretary of State, 18 May 1920, 800.6363/128, R.G. 59, N.A.
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reference, firstly, to the equal treatment guaranteed to the nationals of states which were members of the League of Nations, and, secondly, to the authority vested by the defeat of Turkey - both of which effectively excluded the United States. From State Department files, it is difficult to find evidence that the State Department took its stand on the mandates simply in order to see changes incorporated for the benefit of American oil companies.¹ The Foreign Office, however, clearly believed this to be the case, Weakley cynically minuting that

The assignment to Great Britain of Mandates for Palestine and Mesopotamia, has afforded the United States Govt. (sic) an opportunity of returning once more to the question of the development of the oilfields in these countries, and to claim for American citizens - really the Standard Oil Co. (sic)...absolute equality of treatment. 2

The diplomatic correspondence entered into between the two governments³ as a consequence of the San Remo Conference dealt in general with United States rights in the mandated territories, and therefore covered both Mesopotamia and Palestine. But the area of most concern to the United States was the alleged infringement of her rights in Mesopotamia,⁴ a fact which the Foreign Office recognized and resisted.⁵ However, although the emphasis now moved away from Palestine, it was here that the first surrender to United States Pressure was to come.

1. Memorandum by A.C. Millspaugh for U.S. Merle-Smith, 8 February 1921, 890G.01/20, R.G. 59, N.A. M722/19.

2. Minute by E. Weakley, 20 May 1920, on E.4974/1331/44, F.O. 371/5212.

3. Most of which is printed in For. Rel. 1920 and 1921.

4. As a consequence, the correspondence has been discussed in Chapter 2.

5. See Chapter 2 above, and also minute by R. Sperling, 31 July 1920, on E9082/1331/44, F.O. 371/5212.

The Foreign Office was, in effect, torn two ways in its policy towards Palestine. On the one hand, it was conscious of the need to be cautious lest any infringement of its declared policy on concessions be seized upon by the United States Government as evidence of bad faith. Thus, it was extremely reluctant to allow Sir Herbert Samuel, the High Commissioner in Palestine, to permit any new economic development which could be described as a concession¹ since

.....attempts being made by American Oil Interests to begin prospecting in Palestine and Mesopotamia...and representations of United States Government in their support have hitherto been met by explanation of our general attitude of refusal of any concession including licences to prospect until coming into force of Turkish Treaty.²

Discussion on various proposals for economic development, for example a desire by Zionists to exploit and develop waste land in Palestine,³ and the Rutenberg scheme to develop hydro-electricity,⁴ reveal this preoccupation clearly. Attempts by the Petroleum Department in the spring and again in the autumn of 1920 to persuade the Foreign Office to allow renewed prospecting for oil were firmly resisted, with a reiteration of the British policy of waiting until the Treaty of Peace was ratified and the mandate in operation.⁵

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1. See correspondence and minutes on E12710/85/44, F.O. 371/5140.
 2. Foreign Office to Sir H. Samuel, High Commissioner, Palestine, 8 December 1920, E14341/131/44, F.O. 371/5140.
 3. See correspondence and minutes on E14341/131/44, F.O. 371/5140.
 4. See correspondence and minutes on E2591/32/88, F.O. 371/6374.
 5. Petroleum Department to Foreign Office, 27 April 1920, and attached minutes, E3872/175/44, F.O. 371/5150; Petroleum Department to Foreign Office, 23 September 1920, Foreign Office to Petroleum Department, 29 September 1920, and attached minutes, E11823/175/44, F.O. 371/5150.
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This policy of delay was probably formulated more with a view to Mesopotamian policy than Palestinian affairs; in other words, the Foreign Office was anxious not to make a mistake in its administration of Palestine which would rebound to its disadvantage in Mesopotamia. Sir John Tilley, in discussing the question of a concession for land exploitation in Palestine, stated that a policy of delay was largely due to

...the necessity for us of making up our minds regarding an oil policy in Mesopotamia and deciding just what we are to do regarding the Standard Oil's desire to participate. As long as we can say that we are granting no concessions we can keep the Americans comparatively quiet and give ourselves time to make our plans. 1

Delay would allow the Foreign Office to formulate a Mesopotamian oil policy; it would also allow time for a change of administration in the United States in the November elections, for the Foreign Office was well aware that the close relationship between oil companies and the State Department was of recent origin, and that 'it by no means follows that the Standard Oil Co. (sic) will always be in favour with the administration because such happens to be the case at the present moment'.²

During the course of 1920 the Foreign Office was, in any event, clearly not disposed to be conciliatory towards the United States. In general terms, friction over issues such as naval rivalry, the

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1. Sir John Tilley, Foreign Office, to Sir John Cadman, Petroleum Executive, 29 November 1920, E14341/131/44, F.O. 371/5140 and various documents on E12710/85/44, F.O. 371/5140.
 2. Minute by R. Sperling, 5 June 1920, on E5631/1331/44, F.O. 371/5212. This document reveals clearly the Foreign Office's somewhat muddled thinking in the matter of the Standard Oil Company. It is apparent that the Foreign Office believed that (a) Standard Oil was effectively one company and (b) the American administration favoured the company because of the wartime co-operation of Mr. Bedford. This ignored not only the strategic importance of oil, but also the fact that the Standard Oil Company had been split up in 1911. The Foreign Office was apparently unaware that Mr. Bedford had no connection with Socony, the company involved in Palestine, although both Socony, and Mr. Bedford's company, Jersey Standard, were interested in Mesopotamia.

Allied war debt to the United States, and the Anglo-Japanese Alliance continued,¹ whilst United States failure to be involved in the post-war settlement created major problems for the British. The Eastern Department in particular had reason to be angered at United States vacillations on the role she was prepared to play in the Turkish settlement. The delays thus caused in the negotiation of a peace treaty allowed a resurgence of Turkish nationalism under Mustapha Kemal. Because of the Turkish refusal to sign the Treaty of Sevres, it was necessary to renegotiate a settlement during 1922-3, meaning a further delay in the final settlement of the mandates.²

Nor was the Foreign Office inclined to be sympathetic to the United States specific arguments on oil. The question of world production, and control of the world reserves was much debated in the diplomatic correspondence between Colby and Lord Curzon, whilst there was little sympathy in the Foreign Office for American complaints of their exclusion from mandated territory, R. Sperling of the American Department commenting in April 1920 that

Considering the attitude of the U.S.G. (sic) in such matters it is astonishing (or would be in any other country) that they should have the face to complain of the exclusion of the Standard Oil prospectors from territory under British control. For years past they have systematically opposed the acquisition of oil concessions in Latin America by British companies. 3

1. This is discussed in Chapter 2 above.

2. This hostility was apparent during the first Conference of London, 12 February to 10 April 1920, and was shared by all the Allies. They were angered at President Wilson's refusal to give a definite answer on the question of a U.S. mandate in Armenia and Cilicia, whilst insisting upon the proposed settlement with Turkey being in accordance with U.S. desiderata. Since the U.S. had not been at war with Turkey, and did not propose to be a signatory to the Treaty, the hostility expressed at the Conference was perhaps justified. See D.B.F.P., 1st Series, Vol. 7.

3. Minute by R. Sperling, 16 April 1920, on E3222/175/44, F.O. 371/5150.

and Sir John Tilley adding that 'The Americans are a brazen-faced lot'.¹

Attempts by Butler Wright to suggest that a conciliatory policy in Palestine might help relieve the friction between the two countries, caused by a common belief amongst the United States public and even within the Government that the British were evolving an exclusive oil policy left Sir John Tilley little concerned.² In other words, the current state of Anglo-American relations did not prompt the Foreign Office to be conciliatory; on the contrary, it seems to have hardened its resolve to resist all American attempts to safeguard the position of American oil companies in the Middle East, not only in Mesopotamia, where the oil deposits at stake were considerable, but also in Palestine, an area of little potential.

On the other hand, internal events in Palestine posed their own problems. Great Britain was of course committed to following a policy designed to implement the Balfour Declaration, which necessitated finding employment for Jewish immigrants; moreover, the non-Jewish inhabitants had been presented with arguments that the economic development generated by Jewish capital would also be to their benefit. The importance of gaining the acceptance of the Arab population was accentuated in the spring and summer of 1920 by religious disturbances on a large scale. Once the mandate had been allocated to Great Britain, and a civil administration inaugurated, it was inevitable that pressure would be exerted on the Foreign Office, by both the local administration and the Zionists, to allow certain economic enterprises to be initiated.

1. Minute by Sir J. Tilley, 16 April 1920, *ibid.*

2. Minute by Sir J. Tilley of a conversation with Butler Wright, 14 April 1920, E3222/175/44, F.O. 371/5150.

This proved to be the case, and despite its strong policy, therefore, the Foreign Office was forced to give way on the land issue,¹ and was tending that way in its discussions on the Rutenberg concessions.² Moreover, Sir H. Samuel was encouraged to evolve a mining policy and initiate a mineral survey, so as to allow the rapid commencement of mineral development, and the examination of existing concessions, once the mandate and Turkish Treaty were in force.³

Nevertheless, it is impossible to be sure whether the policy towards concessions would have changed as rapidly as it was to do in the course of 1921, had it not been for one major change in Middle Eastern administration. On 1 March 1921, following prolonged discussion at Cabinet level,⁴ the Foreign Office handed over responsibility for much of the Middle East to the Colonial Office. The newly created Middle Eastern Department of the Colonial Office assumed administrative control over Mesopotamia and Palestine (which included the future state of Transjordan), and political control over Aden, the Arabian littoral of the Persian Gulf, and the rest of the Arabian peninsula excluding the independent kingdom of Hejaz.⁵

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1. See the opinion of E. Malkin, the Foreign Office legal adviser, 19 November 1920, that it should be possible to make concessions in any area of economic development that did not involve controversy. E14351/131/44, F.O. 371/5140.
 2. See various correspondence and minutes on E2591/32/88, F.O. 371/6374.
 3. See various documents in file 1331/44, F.O. 371/5213; E14867/E15153/E15701/E15737/E11823/E11940/.175/44 in F.O. 371/5150; E264/E808/E1194/E1414/E2262/E2517/264/88, F.O. 371/6385.
 4. See Section C of Appendix II.
 5. Memorandum by H.W. Young, outlining the present position in the Middle East and making suggestions for the future, 25 October 1920, C.O. 732/8/52945 and Report of the Interdepartmental Committee on the Middle East Department, 1 February 1921, Appendix I in M.E. No.1, p.16, in C.O. 935/1.
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This Middle Eastern Department was staffed in the first instance by personnel most of whom were seconded from other Departments. However, it was clear that such a move was likely to modify the British Government's policy towards her mandates, for the Colonial Office was bound to be more concerned with the immense difficulties of administering and developing a new nation, and especially with the need to create a secure and legal administration under a ratified mandate, and to secure the financial viability of that administration. As to the particular question of the oil concessions, this transfer of power meant that ultimate responsibility for the policy to be followed passed from Lord Curzon, a man who regarded the Middle East as his special province, and had already committed himself to a policy of resistance to all American intervention therein, to the new Colonial Secretary, Winston Churchill, who had no such preconceived ideas on the correct British Middle Eastern policy, and who was, moreover, favourably disposed towards the United States and anxious to secure a rapprochement between that country and Great Britain.¹

Prior to the official transference of responsibility, discussion was already beginning amongst the personnel being drafted into the new Middle Eastern Department, as to the policies they should adopt. Wider questions of policy were not, in fact, decided until the Cairo Conference,² but much attention was paid to the issue of concessions, especially the Rutenberg scheme for hydro-electric installations in Jaffa, a scheme that had already considerably

1. For Churchill's views, see Chapter 5 below, and also W.S. Churchill to his wife, 14 February 1921, quoted in M. Gilbert, Winston S. Churchill, Vol.IV (London, 1975), (hereafter Gilbert, Churchill), pp.529-30.

2. For a discussion of the Cairo Conference and its significance, see Aaron S. Klieman, Foundations of British Policy in the Arab World: The Cairo Conference of 1921 (Baltimore, 1971), (hereafter Klieman).

exercised the Foreign Office, with its conflicting desires both to promote economic development in Palestine, but at the same time retain a firm line on concessions. In an important minute on the subject, J.E. Shuckburgh, on secondment from the India Office to the Colonial Office, showed an awareness of this dichotomy, but also signs of the more flexible policy in dealing with concessions that was to typify the Colonial Office administration, and which was eventually to lead to reconciliation with the United States in both Palestine and Mesopotamia. Shuckburgh was well aware of the important links between Palestine and Mesopotamia, and that, 'so long as we maintain the policy of no concessions pending confirmation of Mandates we can keep them (the Americans) at arm's length, but once we begin to make concessions our difficulties are likely to increase'. However, he still recommended allowing the Rutenberg scheme to continue, obviously hoping that the United States would not raise difficulties, since 'American attention in the matter of concessions seems to be concentrated on Mesopotamia rather than Palestine'. Clearly, for Shuckburgh economic development in Palestine was seen as of paramount importance. Indeed, although prepared to adhere to Foreign Office policy, he clearly had some doubts as to its wisdom: 'It seems clearly undesirable to throw open concessions generally at present (at any rate without Foreign Office concurrence)...'¹ Moreover, the Colonial Office generally was more likely to heed the opinion of the local administrators, who were anxious to initiate schemes to provide employment and stimulate the economy.

As a consequence of this preliminary discussion, and at the instigation of Winston Churchill, on 1 March 1921 - the date on

1. Minute by J.E. Shuckburgh, 23 February 1921, on E2591/32/88, F.O. 371/6374.

which the Colonial Office officially assumed responsibility for the Middle East - H.J. Read of that office sent a letter to the Foreign Office requesting it to relax its intransigent position on the granting of concessions. At this stage, however, no attempt was made by the Colonial Office to modify the British Government's stand on oil concessions, as it fully appreciated that the Foreign Office's chief consideration was a desire

to ward off premature attempts by foreign, and particularly United States companies to obtain a footing in these countries and to begin prospecting and applying for concessions before the precise validity and scope of existing concessions, held in some cases by British companies, such as the Turkish Petroleum Company, have been examined and established. 1

Its aim was to initiate schemes providing public utilities, and possible sources of employment, such as the Rutenberg hydro-electric scheme,² and the Caesarea railway concessions,³ which would help to stimulate the arrested economic development of Palestine; controversial concessions, and those involving international complications, including all those for minerals and oil, were to be postponed pending ratification of the mandate. On this strict understanding, the Foreign Office concurred in the proposal,⁴ which in fact represented its own recent practice in Palestine.

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1. Colonial Office to Foreign Office, 1 March 1921, C.O. 733/13/9568.
 2. Secretary of State for the Colonies to the High Commissioner, Palestine, 14 March 1921, and minutes by J.E. Shuckburgh and Colonel Amery, 11 March 1921, attached to C.O. 733/9/11532; see also Gilbert, Churchill, IV, pp.584, 634 and 642-3.
 3. High Commissioner, Palestine, to Secretary of State for the Colonies, 28 February 1921, and minutes, C.O. 733/1/9888.
 4. Foreign Office to Colonial Office, 9 March 1921, E2742/32/88, F.O. 371/6374. The Foreign Office had apparently come to the conclusion that 'Economic activity in Palestine is from our point of view the cheapest and best counter to political disturbance....' Minute by O.A. Scott, 3 March 1921, on E2742/32/88, F.O. 371/6374.
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The Middle East Department and the Palestine administration also continued to prepare themselves for the inevitable concession applications, by the eventual appointment of a geological expert to the Palestine Government,¹ the drafting of a mining ordinance,² and the gathering of existing information on the mineral resources of Palestine.³

To both Americans and British alike, March 1921 would have appeared an auspicious moment to implement a rapprochement. In Great Britain, the transference of responsibility for the administration of Mesopotamia and Palestine to the Colonial Office heralded a more flexible policy. In the United States March 1921 saw the entrance into office of a new Republican Administration, free of all the commitments and dogmatism of President Wilson's Democratic Government. Although the new administration was committed to a policy of isolationism in foreign affairs, Great Britain had reason to believe that the new Government, and especially the new Secretary of State, Charles Evans Hughes, would be anxious to promote Anglo-American co-operation.⁴ As part of the rethinking of policy associated with a change of government, opinion in the State and Commerce Departments had begun to move in

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1. High Commissioner, Palestine to Secretary of State for the Colonies, 2 November 1921, and attached papers, C.O. 733/7/56656. The decision was taken following the grant of informal permission to Socony to make a geological survey of areas claimed by it. See papers on C.O. 733/1/16613, C.O. 733/2/17962 and C.O. 733/3/28350.
 2. N. Bentwich, (Legal Assistant to the Palestine Government) to Colonial Office, enclosing copy of Palestine Draft Mining Ordinance, August 1921, C.O. 733/17A/43068. No immediate action was taken on the draft.
 3. The Colonial Office received from the Board of Trade reports prepared by a Major Brock during the latter part of 1918, on Dead Sea potash and the general mineral resources of Palestine. W. Carter (Board of Trade) to R.V. Vernon (Colonial Office), 25 August 1921, C.O. 733/12/42798.
 4. Sir A. Geddes, British Ambassador, Washington, to Lloyd George, 17 March 1921, quoted in D.J. Danelski and J.S. Tulchin, ed., The Autobiographical Notes of Charles Evans Hughes (Cambridge, Massachusetts, 1973), pp.215-6.

favour of international negotiations, and possibly a general Anglo-American oil agreement, so as to rationalize and organize the world oil situation. Prominent in this movement was A.C. Millspaugh, who on several occasions during the spring of 1921 urged the wisdom of such an oil agreement,¹ not least because of his belief that 'there have been many indications that the British desire to reach an understanding with the new Administration on oil questions'.² He was especially encouraged by (erroneous) reports that Sir John Cadman, head of the British Petroleum Department, was to visit the United States in March or April as an expert adviser to the British Ambassador. Millspaugh's views were shared (or accepted) by other members of the State Department,³ and, more surprisingly, by influential members of the Commerce Department.⁴

Given, then, the opinion in both countries that some sort of agreement was feasible, and the commencement of the grant of concessions in Palestine, on however innocuous a level, it was perhaps inevitable that what G.L.M. Clauson called the 'more or

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1. Memorandum by A.C. Millspaugh for the Secretary of State, 29 March 1921, 890G.6363/69, R.G. 59, N.A.; Memorandum by A.C. Millspaugh to Cumberland and Dearing, 14 April 1921, 890G.6363/66; minute by A.C. Millspaugh, 19 May 1921, attached to 800.6363/278, all in R.G. 59, N.A. M722/23; Memorandum by A.C. Millspaugh of a conversation with L.I. Thomas, 4 August 1921, 841:6363/172, R.G. 59, N.A. M580/147; and Draft Agreement to Govern Anglo-American Oil Relations, prepared by Millspaugh, 12 May 1921, 811.6363/72, R.G. 59, N.A.
 2. Memorandum by A.C. Millspaugh for the Secretary of State, 29 March 1921, 890G.6363/69, R.G. 59, N.A. M722/23.
 3. Memorandum by Van. S. Merle-Smith to Secretary of State Hughes, 11 March 1921, 800.6363/325, R.G. 59, N.A.
 4. T.E. Swigart to A.W. Ambrose, 14 April 1921, Bureau of Mines, Special Files, E91, Vol. 1, R.G. 70, N.A.; Memorandum on the Mesopotamian Oil Controversy by Henry C. Morris, May 1921, Bureau of Mines, Special Files, Tray 128, R.G. 70, N.A.
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less friendly controversy with the Standard Oil Co. (sic)

[Socony]¹ should recommence.

Socony was not slow to draw the State Department's attention back to Palestine, and press it to make representations to the British Foreign Office in order that the company might resume its geological survey of petroleum concessions.² On the instructions of the Secretary of State, therefore, George Harvey, the Ambassador in Great Britain, made informal representations to the Foreign Office,³ asking for the go-ahead to be given to the geologists, on the grounds that war conditions no longer prevailed, and that such exploration was consistent with the principles which had been accepted by the British Government to govern the development of the economic resources of mandated regions, since it would not compromise any future authorities of Palestine, by leading to the acquisition of new claims, or the strengthening of old ones. Following on these representations, a conversation was held on 9 September 1921 between the Colonial Office and Butler Wright, accompanied by L.I. Thomas of Socony, in which the latter were told that the only way of gaining a definitive reply was by making a formal request.⁴ In this conversation, an attempt was made by

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1. G.L.M. Clauson (Colonial Office) to T.I. Lloyd (Colonial Office), 19 August 1927, attached to C.O. 733/28/63371. This comment reveals clearly the difference in attitude between the Colonial Office and the Foreign Office. The latter would definitely not have viewed the controversy as in any way 'friendly'.
 2. L.I. Thomas, Socony to U.S. Secretary of State, 12 August 1921, For. Rel. 1921, Vol.II, pp.94-5; memorandum by A.C. Millspaugh of a conversation with L.I. Thomas, 4 August 1921, 841.6363/172, R.G. 59, N.A. M580/147. Thomas expressed the view that the British were being awkward in Palestine so as to allow them to use it for 'trading purposes' on the TPC issue.
 3. U.S. Secretary of State to U.S. Ambassador in Great Britain, 22 August 1921, For. Rel. 1921, Vol.II, pp.95-6.
 4. U.S. Ambassador, London, George Harvey, to U.S. Secretary of State, 10 September 1921, For. Rel. 1921, Vol.II, p.96.
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the Colonial Office to relate the issue of recognizing pre-war rights in Palestine to the position of the Turkish Petroleum Company in Mesopotamia, possibly in the hope that the Foreign Office would accept an alteration of the hitherto firm line on oil concessions in Palestine, in return for a cessation of the Mesopotamian controversy. The State Department was hardly likely to concede this, however, in view of its strongly expressed views on the TPC issue.¹

The result of these informal negotiations was a formal note on the subject from the U.S. Ambassador to Lord Curzon.² In this note, Ambassador Harvey requested that the company be afforded permission to continue geological examination of the areas covered by their rights or concessions in Palestine, on the strict understanding that these investigations would not be conducted with a view to acquiring new claims or to strengthening old ones.

Opinion within the Foreign Office was fundamentally split as to the wisdom of agreeing to the Ambassador's request. Weakley, the petroleum expert, was apparently in favour of allowing some latitude to Socony, despite his earlier insistence upon a firm line. Pointing out that the High Commissioner had already been granted certain discretionary powers in the matter of inaugurating works of public utility, Weakley argued that 'it be (sic) of advantage if we could meet the wishes of the U.S. Govt (sic)

1. And in view of the belief expressed by Thomas that the British were using Palestine expressly for this purpose. An account of this conversation is given in L.I. Thomas to Socony, 13 September 1921, enclosed in H.E. Cole, Socony to A.C. Millspaugh, 3 October 1921, 867n.6363/4, R.G. 59, N.A. M353/87.

2. U.S. Ambassador, London, to the British Secretary of State for Foreign Affairs, 15 September 1921, For. Rel. 1921, Vol.II, pp.98-9.

even to allowing the Company to carry out operations if the Palestine administration saw no objection'. However, this did not represent a general softening of his opinion on Middle Eastern oil, a point that should be emphasized. On the contrary, he clearly saw the advantages of linking United States rights in Palestine with those of the TPC in Mesopotamia. He suggested that any reply to the American Ambassador, without explicitly recognizing Socony's pre-war claims, should stress that their possible existence had helped shape the Foreign Office attitude.

A full recognition of Standard Oil Co. (sic) rights in Palestine would, I think, strengthen our position in regard to the oilfields in the Baghdad and Mosul vilayets and would show that we have no intention whatever of ignoring pre-war rights when properly acquired. 1

But although E.G. Forbes Adam agreed, and Lancelot Oliphant raised no objection, thus suggesting that opinion within the Eastern Department was fairly conciliatory, Office policy was shaped by Sir Eyre Crowe, who made plain his hostility to any surrender to United States pressure. Suggesting that the Foreign Office should first find out the views of the Colonial Office, he stated that

It must be remembered that the U.S. govt (sic) are deliberately making our position in Palestine difficult by refusing to admit the grant of our mandate. The Colonial Office may possibly object to facilitating the objects of the Americans whilst they insist on putting spokes in our wheels. 2

It was this opinion which was reflected in the Foreign Office letter of 20 September 1921 to the Colonial Office, forwarding the latest American note. Asking for Churchill's views on the United States request, it pointed out that the previous year it had refused

1. Minute by E. Weakley, 16 September 1921, on E.10406/264/88, F.O. 371/6385.

2. Minute by Sir E.A. Crowe, 17 September 1921, on E10406/264/88, F.O. 371/6385.

a similar request from the company, added that no decision on Socony's claims could be considered until the Peace Treaty with Turkey had been ratified, and stated that

Mr. Churchill will doubtless take into account the fact that the United States Government are deliberately making the position of His Majesty's Government in Palestine somewhat difficult by delaying the issue of a mandate for that country and claiming to be consulted regarding its provisions. 1

This view was not, however, supported by other government departments. The Petroleum Department had, of course, been pressing the Foreign Office since spring 1920 to allow Socony to commence prospecting,² and its head, Sir John Cadman, had apparently made his support plain to Socony.³ It is, of course, possible that he saw the possibility of tying in the question of Palestine to the verification of the more valuable TPC concession in Mesopotamia. The Colonial Office had already had opportunities to consider its attitude towards the Socony claim; it cannot have failed to have been aware that, following any relaxation of the policy on concessions, it was only a matter of time before the United States Government renewed its support for the American company. Moreover, in early September Colonial Office officials had discussed the question with Wright and Thomas, and it was at their instigation that the United States Government had approached the Foreign Office formally. Meanwhile, the Colonial Office had discussed the issue with the Foreign Office's petroleum expert.⁴ In view of Weakley's previous opinions, it would seem

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1. Foreign Office to Colonial Office, 20 September 1921, E10406/264/88, F.O. 371/6385.
 2. Petroleum Department to Foreign Office, 27 April 1920, E3872/175/44, F.O. 371/5150.
 3. L.I. Thomas to Socony, 13 September 1921, enclosed in H.E. Cole, Socony to A.C. Millspaugh, 3 October 1921, 867n.6363/4, R.G. 59, N.A. M353/87.
 4. Foreign Office to Colonial Office, 20 September 1921, C.O. 733/11/47206.

probable that it was the Colonial Office which convinced him of the wisdom of a more flexible attitude, rather than vice versa.

In formulating its reply, the Middle East Department was not much concerned with the question of the oil itself, regarding the matter as of little importance, since

the prospects of finding oil in any considerable quantities in this area which the Americans wish to explore are very dubious...I do not see that much harm will be done by letting the Standard Oil people carry out their investigations under the conditions laid down in the American Note.¹

The improbability of discovering oil in large quantities differentiated Palestine from Mesopotamia. The reasons behind the Colonial Office's attitude were clear. Whilst admitting that the United States Government were largely responsible for the continued uncertainty surrounding Britain's authority in Palestine, and that 'we should be on strong ground, from the dialectical point of view, in telling the Americans that they must abide by the consequences of their own intransigence',² Shuckburgh proceeded to argue in favour of rejecting such an attitude, not from local considerations, but from the international viewpoint. Pointing out that Sir Auckland Geddes, British Ambassador to the United States, was of the opinion that the United States Government strongly desired to come to an understanding with Great Britain on all issues, and that oil was one of many small factors affecting this, Shuckburgh based his plea for a conciliatory reply on the grounds that

1. Minute by J.E. Shuckburgh, 23 September 1921, on C.O. 733/11/47206.

2. *ibid.*

...there is obvious advantage in removing a cause of friction between Great Britain and the U.S. (sic)...If this present case gives us an opportunity of contributing (however modestly) towards this happy development, I submit that we ought not to neglect it.

This desire to minimize friction only went so far, however.

Shuckburgh was anxious to 'so word our assent as not to afford a precedent for similar American demands elsewhere (eg in Mesopotamia)...'.¹

On 29 September 1921, therefore, with the direct concurrence of Winston Churchill, Shuckburgh replied to the Foreign Office, stating that whilst Churchill did not overlook the attitude of the United States Government towards the mandate, 'he would be reluctant, merely on that account, to treat the present application in a needlessly obstructive spirit'. Stressing the importance of removing even the minor causes of friction between the two countries, Shuckburgh suggested that he should telegraph to the High Commissioner, asking him whether he would be agreeable to the representatives of the Standard Oil Company being given informal permission to conduct preliminary researches in the area over which they were known to claim concessions, with the object of discovering whether oil in payable quantities existed. Such permission would only be granted subject to the conditions mentioned in the Ambassador's note. To avoid American argument that this permission acted as a precedent in the case of Mesopotamia, it could be stated, Shuckburgh suggested, that whilst the validity of the Standard Oil claims remained undecided, the fact of their existence had influenced H.M. Government in allowing a survey to continue.²

1. *ibid.*

2. Colonial Office to Foreign Office, 29 September 1921, attached
to the above-mentioned letter.

Faced with so unequivocal an expression of Colonial Office views, the Foreign Office probably saw no reason to demur. Crowe had no comments to add to Weakley's minute that although 'we are aware, from confidential information, that even if the request of the Standard Oil Co (sic) be granted...this will not alter the attitude of the United States Govt (sic) in regard to their claim for equal economic opportunity...', still, 'the grant of the permission desired would, as the Colonial Office point out tend in a measure to remove a cause of unnecessary friction.'¹ This reveals clearly how Foreign Office opinion had altered since the spring of 1920, when Sir John Tilley had been unmoved by Wright's talk of friction.

Thus, the note finally sent to the U.S. Ambassador on 26 October² was based on the Colonial Office suggestions, with the additions stipulated by High Commissioner Samuel, that the company should give a full report on their operations as required by the Palestine Government, and obey any instructions from that government.³ This note was described, somewhat lukewarmly, by a member of the Colonial Office as 'all right'.⁴

One question, however, remained: how the United States Government would react to this initiative. To a very large extent,

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1. Minute by E. Weakley, 30 September 1921, on E10849/264/88, F.O. 371/6385. Weakley had in fact already discussed this matter with the Colonial Office. See minute by J.E. Shuckburgh, 23 September 1921, on C.O. 733/11/47206.
 2. Lord Curzon to the U.S. Ambassador, London, 26 October 1921, For. Rel. 1921, Vol.II, p.99.
 3. High Commissioner, Palestine, to Secretary of State for the Colonies, 16 October 1921, C.O. 733/7/51726. It appears that the High Commissioner in fact consulted the American consul on the matter. A. Southard, Consul, Jerusalem to U.S. Secretary of State, 28 October 1921, 867n.6363/13, R.G.59, N.A. M353/87; same to same, 20 October 1921, For. Rel. 1921, Vol.II, p.97.
 4. Minute by S.M. Campbell, 28 October 1921, on C.O. 733/11/53515.

its reaction appears merely to mirror that of Socony, which was sent a paraphrase of the Foreign Office note. The company was clearly antagonistic to certain of the conditions, particularly those stipulated by the High Commissioner. It also objected to the fact that the development of its claims would be delayed until the coming into force of the Treaty of Peace with Turkey, and the final settlement of the terms of the Palestine mandate.¹ As far as can be judged from State Department files, there seems to have been no overt response on the lines Shuckburgh desired. The American note to the Foreign Office, whilst showing appreciation of the British Government's 'accommodating spirit', took exception to the conditions imposed by the Palestine Government.² But, whilst State Department officials were prepared to continue to assist the company, it was apparent that they regarded the fight as won, and their part in the controversy as over, for they made it plain that further action was only contemplated if Socony so requested.³

This questioning of the imposed conditions effectively reopened the issue, but the same arguments were reiterated by the British Government Departments involved. The Petroleum Department continued their support of the company,⁴ whilst the Colonial Office

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1. H.E. Cole, Socony, to U.S. Secretary of State, 17 November 1921, For. Rel. 1921, Vol.II, pp.100-1.
 2. U.S. Ambassador, London, to Lord Curzon, 1 December 1921, For. Rel. 1921, Vol.II, pp.102-3.
 3. F. Dearing (State Department) to H.E. Cole, Socony, 30 November 1921, 867n.6363/10, R.G.59, N.A., M353/87. Further assistance was however given when the question of conditions was referred back to the Palestine Government, and the American consul in Jerusalem was instructed to give discreet aid. Ambassador Harvey, London, to U.S. Secretary of State, 15 December 1921, and C.E. Hughes to the American consul, Jerusalem, 19 December 1921, 867n.6363/20, R.G.59, N.A., M353/87.
 4. L.I. Thomas to A.C. Millspaugh, 13 December 1921, 867n.6363/19, R.G.59, N.A., M353/87.

also maintained a conciliatory attitude, possibly due to the fact that the Middle East Department had played no part in framing these conditions. The Palestine administration was also anxious to placate the United States, if we are to believe the American consul in Jerusalem, who was apparently informed by Sir Wyndham Deedes of the correspondence on the issue, and the reasons for the conditions, which Southard clearly found acceptable.¹

So, despite a somewhat sharp minute by Campbell, that the Colonial Office might with equal reason reply that it saw no reason for the company's objections,² the reply to the Foreign Office was again conciliatory, not withdrawing the conditions, but explaining that financial stringency, which made the establishment of a Geological Survey of Palestine impossible, and public safety, not hostility to Socony, made these two conditions essential.³ Since the Foreign Office found no reason to cavil at the proffered explanation,⁴ the British note to the United States Ambassador followed Colonial Office guidelines, and apologized for the fact that the conditions had not been expressed 'in sufficiently clear and unambiguous terms'.⁵ With this reply, the controversy was, in effect, ended, with the decision taken irrevocably that a conciliatory attitude was to be maintained

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1. A. Southard, U.S. Consul, Jerusalem, to U.S. Secretary of State, 20 January 1922, 867n.6363/31, R.G. 59, N.A. M353/87.
 2. Minute by S.M. Campbell, 14 December 1921, on C.O. 733/11/61625.
 3. Colonial Office to Foreign Office, 20 December 1921, attached to C.O. 733/11/61625.
 4. Minute by E. Weakley, 21 December 1921, on E13986/264/88, F.O. 371/6385.
 5. Lord Curzon to the U.S. Ambassador, London, 28 December 1921, For. Rel. 1921, Vol.II, pp.104-5.

towards American demands. In view of the innocuous nature of the explanations as to the reasons behind the conditions, they were in principle accepted,¹ although the American consul in Jerusalem, whilst accepting that the conditions appeared reasonable, felt the requirement that a full report be furnished was 'inspired by the Zionists'.²

The only issue that remained outstanding was the precise area which Socony was to be allowed to investigate, and whether such an area was to cover concessions and permits acquired during the war, as opposed to before it, in the settlement of which question Socony yet again enlisted the U.S. State Department's assistance.³ This was, of course, a totally different issue, and one on which the Foreign Office, if not the Colonial Office, might have been expected to adopt a more intransigent line. But minutes following the presentation of a note from the United States Ambassador⁴ show no such intention. Since the Foreign Office had not realized that Socony had acquired additional rights during the war, the original letter of permission had not been worded specifically so as to differentiate between the different kinds of claims. Moreover, since the United States had not been at war with the Ottoman Empire, her Government might not have

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1. L.I. Thomas, Socony, to U.S. Secretary of State, 18 January 1922, 867n.6363/25, U.S. Secretary of State to American Embassy, London, 19 January 1922, 867n.6363/25, both in R.G. 59, N.A. M353/87; U.S. Chargé d'Affaires, London, to Secretary of State for Foreign Affairs, 20 January 1922, E132/132/65 in F.O. 371/7782.
 2. A. Southard, U.S. Consul, Jerusalem, to U.S. Secretary of State, 20 January 1922, 867n.6363/31, R.G. 59, N.A. M353/87. No evidence could be found to substantiate this in British files.
 3. See various documents on this issue, dated March and April 1922, on 867n.6363/34, 35, 39, 40, 41, 44 and 48, all in R.G. 59, N.A. M353/87.
 4. U.S. Ambassador, London, to British Secretary of State for Foreign Affairs, 20 March 1922, E3155/132/65, F.O. 371/7783.

taken too kindly to having such a differentiation made. Even so, the Foreign Office proved amazingly conciliatory, arguing that 'there is of course the consideration that the geological examination of any areas in Palestine will be of service to the Palestine Govt (sic) as they will have copies of all reports made on the result of those examinations',¹ and presenting this argument to the Colonial Office.² Since the High Commissioner in Palestine also favoured this approach,³ and following a meeting on 29 March 1922 between the Colonial Office, L.I. Thomas of Socony, and F. LeClerq of the U.S. Embassy, it was decided that the permission already granted would be deemed to cover all areas over which Socony possessed claims, including those for which permits were issued during the war.⁴ In conveying this decision to Thomas, Shuckburgh expressed his opinion that 'I feel sure that our conversations will have had excellent results in clearing the air and placing matters in their right proportion'.⁵

Thus, a potentially controversial issue had been averted by a display of co-operation and compromise by the British Government which drew from Millspaugh the comment that 'This seems to me to be another good evidence of the conciliatory spirit of the British

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1. Minute by Sir C. Hirst, 21 March 1922, E3155/132/65, F.O. 371/7783.
 2. Foreign Office to Colonial Office, 25 March 1922, *ibid*.
 3. High Commissioner Samuel to Colonial Office, 3 March 1922, C.O. 733/19/10622.
 4. Colonial Office to Foreign Office, 30 March 1922, and British Secretary of State for Foreign Affairs to U.S. Ambassador, London, 4 April 1922, E3466/132/65, F.O. 371/7783.
 5. Mr. J.E. Shuckburgh to L.I. Thomas, Socony, 30 March 1922, enclosed in L.I. Thomas to U.S. Secretary of State, 11 April 1922, 867n.6363/44, R.G. 59, N.A. M353/87; and Colonial Office to Foreign Office, 30 March 1922, E3466/132/65, F.O. 371/7783.

Government'.¹ Socony was allowed to continue with its exploration, the results of which did not however encourage it to proceed with an application for a mining lease,² thus avoiding the vexatious issue of whether claims acquired during the war were valid.³ The only further involvement of the State Department arose because, following the geological survey, the Foreign Office began to press for a report to be submitted,⁴ a request which the company wished to delay meeting, since it had agreed to cede all Palestine holdings to the TPC as a part of the Mesopotamian negotiations, and was anxious not to reveal that these claims were of little value.⁵ Finally, in February 1924, Socony sent to the State Department a report which made it plain that in most areas there was very little chance, if any, of oil in commercial quantities;⁶ this report was forwarded to the British Embassy. Thomas was clearly very concerned at having to submit a report to a foreign government, 'especially as the British Government holds a controlling interest in the Anglo-Persian Oil Co. (sic) Ltd., which is our competitor in nearby areas'.⁷ Clearly, although assured

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1. Memorandum by A.C. Millspaugh to Harrison, 7 April 1922, 867n.6363/43, R.G. 59, N.A. M353/87.
 2. High Commissioner, Palestine, to Secretary of State for the Colonies, 31 May 1923, C.O. 733/45/29414.
 3. H.E. Cole to U.S. Secretary of State, 5 September 1924, 867n.6363/75, R.G. 59, N.A. M353/87.
 4. Post Wheeler, U.S. Chargé, London, to U.S. Secretary of State, 29 October 1923, 867n.6363/63, and other documents on 867n.6363/62, 63 and 64, all in R.G. 59, N.A. M353/87.
 5. Memorandum by A.W. Dulles of a conversation with L.I. Thomas and Judge Speer of Socony, 28 November 1923, 867n.6363/65, R.G. 59, N.A. M353/87. The State Department took the view that the Company should submit the report.
 6. L.I. Thomas, Socony, to U.S. Secretary of State, 26 February 1924, 867n.6363/68, R.G. 59, N.A. M353/87.
 7. L.I. Thomas to U.S. Secretary of State, 26 February 1924, 867n.6363/69, R.G. 59, N.A. M353/87.

that the report would remain confidential, Socony was too accustomed to the United States Government policy of making as much information as possible available to interested companies, to believe that the British Government, much more intimately concerned with the Anglo-Persian, would forbear from following suit.

A corollary of the granting of informal permission to Socony was that the Turkish Petroleum Company requested similar facilities for exploring its claims in Palestine, permission being granted subject to substantiation of its pre-war concessions, and to the other conditions imposed on the American company. This also failed to result in a concession.¹

In formulating its policy on Palestinian oil, the Colonial Office was probably motivated, at least in part, by its belief that Socony had some valid claim to the licences.² Thus, the policy not only appeared morally just, but allowed the British Government to draw parallels with the far more lucrative TPC concession in Mesopotamia. But this does not appear to have been the predominating factor, nor was the Colonial Office concerned to promote oil exploitation as a profitable source of revenue for the infant Palestine Government. The minute by Shuckburgh shows clearly that he believed the international viewpoint to be of far greater importance than arguments based on pragmatic local considerations. However, although there is no specific proof in Colonial Office correspondence or minutes, the possibility that a conciliatory attitude on American oil demands might lead to the

1. Petroleum Department to Colonial Office, 1 December 1921, Colonial Office to Foreign Office, 12 December 1921, and attached Colonial Office minutes, C.O. 733/15/59971; Foreign Office to Colonial Office, 22 December 1921, C.O. 733/11/63395; and W. Deedes to Secretary of State for the Colonies, 30 January 1922, C.O. 733/18/6782.

2. Minute by G.L.M. Clauson, 13 December 1921, C.O. 733/7/56656.

speedy acceptance by the United States of the mandates, and hence the termination of the uncertainty plaguing the Palestine administration, may well have affected Shuckburgh's thinking. It should be borne in mind that during the summer of 1921 recurrent violence between Arabs and Jews had caused considerable problems for the local administration, and had led to the suspension of Jewish immigration.¹ Such unrest was exacerbated by the state of uncertainty as to when, and in what form, the mandates were to be issued, and whether American policy would support, or hinder, British efforts to restore peace. Although in fact Socony's geological researches did not encourage the company to apply for a concession, the granting of informal permission took the heat out of the situation, even though, as a result, similar permission, on precisely the same terms, had to be granted to the TPC for its Palestinian claims. It may also have been important in leading to the fairly rapid conclusion of an agreement with the United States on the Palestine mandate. (In the case of Iraq, there was no such agreement until 1930).

From the British angle, the issue of Palestinian oil is important as showing the following points; that the Colonial Office, in discussing the question, thought in international rather than Palestinian terms, probably because oil was not an important asset in Palestine; that the impetus for a conciliatory attitude came from the Colonial Office, rather than the Foreign Office, insofar as can be judged from the records; and that in late 1921, the Colonial Office was anxious not to commit itself over Mesopotamia, being careful to stipulate that any concessions in Palestine did not establish a precedent in the case of Mesopotamian oil.

1. Klieman, pp.173-185; and Gilbert, Churchill, IV, pp.585-8.

Thus, one should be cautious of seeing in the oil question, and its amicable solution in 1921-2, part of a concerted attempt by the British Administration to placate the United States Government, as represented also by the solution of the naval and Anglo-Japanese Alliance questions at the Washington Conference. The Foreign Office clearly showed no sign of such an attitude on Palestine, and the British Government Department that did, the Colonial Office, was extremely circumspect in its conciliatory attitude, being unprepared to extend it to Mesopotamia. Nonetheless, it is significant that the Colonial Office was motivated by a desire to minimize friction between the two countries. Moreover, the attitude of the Foreign Office towards the United States had changed markedly from the spring of 1920, when tension between the two countries was at its height, to the autumn of 1921, following the inauguration of the new Republican administration, by which time the Foreign Office was prepared to meet the United States on some issues of mutual concern. However, it had clearly not concluded that, in order to improve Anglo-American relations, it was absolutely essential to sacrifice the strategically significant Middle Eastern oil reserves, particularly those of Mesopotamia. Nonetheless, the Palestinian oil controversy does reveal that United States diplomatic pressure, and determination to safeguard American rights despite her absence from the League of Nations, was able to influence and alter British policy.

The American aspect is a little more difficult to discern. In the case of Palestine, as in other issues, the tactics of diplomatic manoeuvre were to a large extent dictated by the participating oil company, State Department notes frequently being sent to the Foreign Office in response to specific company initiatives.

This pattern is also clearly apparent in Bahrain, Kuwait, and to a lesser extent North Persia. But, at the same time, the question of Socony claims in Palestine was bound up with weightier matters; the TPC claim in Mesopotamia and the securing for American nationals of equal rights under the terms of the mandate. The existence of concrete American claims in the case of Palestine allowed the United States Government to intervene more convincingly in these matters, although it was quick to expand the issue from the concrete to the abstract. It is noticeable that in order to achieve the desired ends, the United States was prepared overtly to use the weapon of friction between the two countries.

Whilst undoubtedly the change of administration in March 1921 was considerably to modify the earlier American hard line on Palestinian oil, the impetus for change, and the belief that the time was ripe for some kind of Anglo-American rapprochement on oil, appears to have come from the permanent officials within the State and Commerce Departments, convinced of the futility of conflict. Their belief that a peaceful and friendly solution to the 'oil war' was possible must have been accentuated by the comparatively rapid compromise in Palestine, although this is difficult to substantiate from State Department files. However, the granting of permission to Socony in October 1921, when taken with Cadman's trip to the United States in November 1921 (during which the possibility of Standard Oil/Anglo-Persian co-operation in North Persia was discussed) and, of course, the Washington Conference, all appeared to substantiate Millspaugh's belief that the British were ready for a general conciliation, and it is

perhaps significant that the idea of an international oil agreement, apparently in abeyance since April-May 1921, re-appeared in December 1921.¹ However, such an agreement would have to solve the controversy over Mesopotamian oil; and here, not only was British determination to retain supremacy firmer, but the international complications considerably greater, and hence the implications of any surrender to U.S. pressure correspondingly more serious. It is to the rapprochement in Mesopotamia and the implications for Anglo-American relations, that we now turn.

1. Memorandum by Millspaugh to Castle and U.S. Secretary of State, 10 December 1921, 800.6363/333, R.G. 59, N.A. In November 1921, of course, Sir John Cadman was in the U.S., suggesting a policy of commercial co-operation. See Memorandum by Millspaugh to Dearing, 26 November 1921, 890G.6363T84/24, R.G. 59, N.A. M.722/24.

Chapter Five

A Settlement in Iraq 1921-1928

By the end of 1921, an amicable solution to the Palestinian and North Persian controversies seemed close. In the latter case it appeared that the two companies hitherto in contention for a concession in the five northern provinces would join forces in a joint Anglo-American enterprise. In the former instance there had been a compromise of the intransigent British policy towards oil concessions in occupied enemy territory in order to accommodate the Standard Oil Company of New York. However, if there was to be a full abatement of the 'oil war' between Great Britain and the United States, it was vital that some agreement should be reached regarding Mesopotamia. This was to prove more difficult to achieve. Both governments had heavily committed their prestige to the maintenance of their individual positions, in a prolonged and heated diplomatic exchange. Moreover, in view of the intense press interest in the controversy, any compromise by either government of its hitherto rigid line would be subject to the full glare of publicity, and subsequent public and political criticism.

In view of the conciliatory policy adopted by the Colonial Office towards the Socony claims in Palestine, it might have been expected that the considerations of Anglo-American relations which prompted that compromise would also be applicable in the case of Mesopotamia. However, it should be recalled that, whilst the State Department was anxious to believe that the British Government was willing to co-operate and compromise on issues other than Palestine, opinion within both the Colonial Office and the Foreign Office was that any concession in Palestine should

not imply a precedent for Mesopotamia; indeed, Weakley felt that the recognition of Socony's status in Palestine could only strengthen the claim of the TPC.¹ Moreover, one of the Foreign Office's main fears regarding the projected commercial settlement in North Persia between Anglo-Persian and the Standard Oil Company was that it might spread outwards to Mesopotamia and South Persia.² Nevertheless, by January 1922 a decision had been taken to admit American interests into the Mesopotamian oilfields; a decision that, despite various trials and tribulations (especially during the Lausanne Conference), and the unco-operative policy of the State Department, was eventually to result in the Americans obtaining a minority interest in the Turkish Petroleum Company. This chapter will examine why that decision was taken; why the State Department was so slow to accept the method of settlement proposed (a re-arrangement of shares in the TPC); and the impact of the Mesopotamian oil controversy on Anglo-American relations at the Lausanne Conference.

It was demonstrated in the last chapter that March 1921 marked an important turning point in the outcome of the Palestinian oil controversy, as a consequence of the transfer of administrative responsibility to the Colonial Office. However, whereas in Palestine formal representations by the United States Government had effectively lapsed in the Spring of 1920, in Mesopotamia the Colonial Office had to work within the context of a continuing

1. This is discussed in Chapter 4. See in particular the minute by Shuckburgh, 23 September 1921, on C.O.733/11/47206; and minute by Weakley, 16 September 1921, on E10406/264/88, F.O.371/6385.

2. See Chapter 3.

diplomatic correspondence. On 28 February 1921 Lord Curzon had presented a formal note on the matter to the United States Ambassador, John Davis. However, no reply could be expected for some considerable time, in view of the change of administration in the United States. This allowed time for the Colonial Office, which had just assumed responsibility for Iraq,¹ to consider and determine its policy towards that country and Great Britain's mandatory responsibilities there. The evolution of an oil policy was to be of particular significance, since in Iraq (unlike Palestine) the indications were that the oil reserves were likely to be a major financial asset for any new Arab Government.

The process of policy evolution began almost immediately within the Middle Eastern Department of the Colonial Office. Although initially little consideration was given to the specific issue of oil, the financial standing of the Iraq state was of paramount importance, with particular reference to the need to reduce British expenditure within the Middle East. Winston Churchill, the new Secretary of State for the Colonies, had as Secretary of State for War made plain his opinion that Great Britain's financial commitments in Iraq should be considerably reduced - views to which he adhered as Secretary of State for the Colonies. This opinion was shared by the Cabinet and the Middle Eastern Department, and was urged upon the Government by The Times newspaper, which had conducted a campaign for a substantial reduction in Middle Eastern military expenditure, and by many Members of Parliament. Thus, in drawing up the

1. 'Mesopotamia' and 'Iraq' were used interchangeably throughout this period. However, after March 1921, 'Iraq' was used increasingly by Whitehall officials, and it will be employed throughout this chapter.

agenda for the Cairo Conference, the most obvious priority was the need to implement drastic cuts in the cost to the British taxpayer of preserving law and order in Iraq. In summarizing his reasons for holding the conference, Churchill dwelt almost entirely upon the need for rigidly imposed financial stringency.¹ It was stressed in the agenda that 'No local interest can be allowed to stand in the way of an immediate programme for reducing the British Army of Occupation'. This was to be achieved by an immediate reduction in the forces stationed in Iraq, the formation of Arab levies under British officers, and extensive use of the Air Force.²

In addition to the partial withdrawal of British forces stationed in the Middle East, all other possible methods of reducing Iraq's deficit were also explored. In this cost-conscious atmosphere, the vast potential income from oil royalties could not be ignored. By the development of Iraq's natural resources, not only could the new Arab Government's deficit be reduced, but it might even be possible to repay to the British Treasury some of the capital sums expended. However, in view of the strictly limited period of a mandate, if Great Britain were to receive any benefit from the oil riches of Iraq, it was critical that they should be exploited and developed at the earliest possible date.³

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1. Memorandum by the Secretary of State for War, May 1920, C.P.1320, CAB.24/106; Memorandum by R.V. Vernon on Financial Policy in Mesopotamia, 22 February 1921, C.O.732/3/8675; Winston Churchill to Sir G. Ritchie, 25 February 1921, C.O.732/3/10749; and Gilbert, Churchill, pp.510-536.
 2. Ibid., ch.31; Klieman, ch.6; and confidential print, 'Report on the Middle East Conference held in Cairo and Jerusalem', Middle East No.1, in C.O.935/1.
 3. Minute by H.W. Young, 7 September 1922, C.O.730/34/46340.

It was within this context of financial stringency that the Colonial Office had to evolve a policy for Iraqi oil. Moreover, it had also to consider the Foreign Office's diplomatic correspondence with the United States Government, wherein the British Government had insisted upon the validity of the TPC's claim to an oil concession over the two vilayets of Baghdad and Mosul. In addition, the Colonial Office found its hands tied in dealing with all concessions in mandated territory. In March 1921 the absence of a mandate for Iraq ratified by the League of Nations still theoretically precluded the grant of new concessions or the confirmation of old ones. Requests by the Middle Eastern Department for the adoption of the modified policy followed in Palestine (of granting concessions only in non-controversial cases of public utilities, subject to confirmation once the mandate had been issued) were rejected consistently by the Foreign Office until January 1922 - a sign of that Office's heightened sensitivity in the case of Iraq.¹ The Foreign Office even hindered the perfectly legal Naft Khana operations² until it was finally convinced that any American protests could be adequately answered. By that time - March 1922 - the situation was in any case less sensitive, since it seemed as though a commercial settlement of the TPC controversy was within sight.³

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1. Foreign Office to Colonial Office, 31 May 1921, C.O.730/9/27093; Foreign Office to Colonial Office, 24 November 1921, C.O.730/16/584; Foreign Office to Colonial Office, 25 January 1922, C.O.730/27/4149; and minutes, May 1921, on E5948/576/93, F.O.371/6363.
 2. Naft Khana was in one of the 'transferred territories', which, by the Turco-Persian frontier agreement of 1913, had been ceded to the Ottoman Empire, and were thus incorporated into Iraq. It had been specifically provided in the protocol that the Anglo-Persian's rights in these territories by virtue of the D'Arcy concession in South Persia were to remain valid.
 3. See correspondence and minutes on C.O.730/1/18940, C.O.730/7/60208, C.O.730/8/128 and 62227, C.O.730/9/20634, C.O.730/27/1948, C.O.730/28/11031 and 22097; E2644/382/93, F.O.371/6360, E2290/132/65, F.O.371/7783 and E13349/9409/93, F.O.371/6368.

Since there was no possibility of the immediate development of Iraq's oil resources, there was little incentive for a major interdepartmental discussion on Iraq oil during the hiatus between Lord Curzon's note to the United States Government on 28 February 1921 and the latter's reiteration of its demands for the 'open door' and the reference of TPC's claims to arbitration on 17 November 1921. However the Middle Eastern Department's attitude was slowly evolving during this period. Colonial Office officials were apparently neither so convinced by, nor determined to insist upon, the so-called pre-war 'concession' of the TPC,¹ and were thus by no means as exercised by American demands as were the Foreign Office. They were not, however, prepared to reverse the policy of strong support for the TPC hitherto followed by the Foreign Office without a viable alternative, one which would neither represent a retreat from the British Government's previous attitude on the position of the TPC, nor involve imposing an unpopular solution upon the Iraq Government.

Papers on the subject of Iraq oil and the TPC were only sporadic during the first nine months of 1921. However, whilst no clear policy was definitely adopted by the Colonial Office, certain lines of thinking, to be important later, were already emerging. The transmission to the Middle Eastern Department by the Foreign Office of a print of correspondence with the United States Embassy to date met with little response,² but by early May Major Young of the Political and Administrative Section

1. This was particularly the view of R.V. Vernon. For a summary of his opinions, see his Memorandum on the TPC, 13 December 1923, Confidential Print, Middle East No.5 in C.O.935/1; and his minute of 13 December 1922 on C.O.730/34/61300.

2. Foreign Office to Colonial Office and Colonial Office minutes (or lack of them), 23 March 1921, C.O.732/1/14138.

was writing

As a matter of fact we shall probably have to let in the Americans somehow, if we want to remove what we suspect to be one of the influences behind the aggression of the Angora Government in the neighbourhood of Mosul...But we should prefer to do it as an act of grace than by compulsion! 1

Both the Colonial and the Foreign Offices were convinced by military intelligence reports that the Standard Oil Company was financing Bolshevik and anti-British activities in Iraq, and, following the success of the Nationalists in Turkey, Turkish aspirations to regain control of Mosul.²

Apart from the fear that the Standard Oil Company was one of the forces behind the anti-British activity in Iraq, the Middle Eastern Department was also concerned by the so-called 'claims of the 22 heirs'.³ The crux of this controversy was the claim by the assorted heirs of the late Sultan Abdul Hamid that the oil properties in Mosul and Baghdad belonged, not to the Civil List, (thus reverting first to the Turkish and then to the Iraq state), but to the Sultan personally, and as such passed with the remainder of his personal property to his heirs. Had this claim been validated, the British Government could have been placed in an embarrassing position, for the claims had been assigned to a wholly British company, the Central Mining and Investment Corporation, thus creating the possibility of additional

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1. Minute by H.W. Young, 3 May 1921, on C.O.730/9/20161. This is quoted in Mejcher, Imperial Quest, p.119.
 2. See various papers on C.O.730/9/10195 and 21021; and C.O.730/12/12523. The Foreign Office also shared his opinion. See correspondence and minutes on E2276/382/93, F.O.371/6360.
 3. See papers on C.O.730/9/20161, 21021 and 30136; C.O.730/14/32248; C.O.730/15/34673 and 38940; file 381/93, F.O.371/6360; and file 382/93, F.O.371/6360, 6361 and 6362.

international implications; yet, conversely, in the absence of effective Government backing the Corporation began to invite American backing, thus raising the spectre of the claim passing into the hands of the Standard Oil Company. Despite the Colonial Office's scepticism on the claims of the heirs,¹ and its belief that even in the event of their being validated, the Iraq Government could cancel the concession,² the problem was to crop up recurrently throughout the next year, whilst the Colonial Office nevertheless did its utmost to prevent the Corporation from selling its alleged rights to the Standard.³ The other American claim, by the Chester group's Ottoman-American Exploration Company, was dismissed by the Middle Eastern Department as '...only American "bluff"...' possessing only nuisance value. Unfortunately, events in 1923 were to prove it to have an excess of the latter.⁴

Despite these rival claims, however, the main interest in Whitehall still centred upon the ambiguous position of the TPC. Two years of controversy on the many aspects of Iraq oil and the claims of the TPC had left a legacy of confused thought amongst

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1. Mr. Nichols of Anglo-Persian believed he had found fairly conclusive proof to refute the heirs' claim. Foreign Office to Colonial Office and enclosures, 15 March 1922, C.O.730/28/12488.
 2. Minute by R. Bullard, 19 October 1921, on C.O.730/10/51413.
 3. Colonial Office to Sir L. Phillips, Central Mining and Investment Corporation, 18 June 1921, attached to C.O.730/9/30136. A sale to Standard Oil would inevitably provoke international controversy. Agenda for the Interdepartmental Petroleum Committee meeting on 30 June 1921, enclosed in C.O.730/14/32248 and minutes of this meeting, enclosed in C.O.730/15/34673. The claims of the Corporation are briefly discussed in Mejcher, Imperial Quest, pp.116-117.
 4. Memo by Weakley on the American claim to oil rights in Iraq, 29 October 1921, enclosed in Foreign Office to Colonial Office, 7 November 1921, and minutes by Hall and Bullard, 8 November 1921, C.O.730/10/55411.

the interested Whitehall Departments. Although conditions in Iraq were rapidly changing, as was British policy therein, a Cabinet decision of 23 January 1920 that the oilfields should be developed directly by the British Government had not been changed or renounced, whilst confusion as to which government would claim royalties on the oil prompted the Admiralty to suggest that they should be paid to His Majesty's Government in the form of Admiralty specification fuel oil¹ - a suggestion rapidly quashed by the Secretary of State for India, who was at pains to stress that the royalties would be payable to the new Arab Government of Iraq.²

It was thus essential that the Colonial Office should cut a way through this confusion, and on 20 June 1921 Churchill wrote a letter to Sir Maurice Hankey, Secretary to the Cabinet. This represents the first significant official statement of Colonial Office thinking on Iraqi oil, and was written within the context of a Cabinet discussion as to whether the oilfields should be developed by private or state enterprise.³ The two important points to note were, firstly, that the Colonial Office for the first time stated definitely that it considered the British Government to be irrevocably committed to upholding the TPC's claim (and thus to private, rather than state, development of the oil); and, secondly, that the Colonial Office was prepared to make some concession to the Americans in order

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1. Memo by the First Lord of the Admiralty on Mesopotamian oil, 18 March 1920, C.P.903, CAB.24/101, and C.P.1554, 29 June 1920, CAB.24/108.
 2. Memo by the Secretary of State for India on the Anglo-French Oil Agreement on Mesopotamia, 12 July 1920, C.P.1607, CAB.24/109.
 3. Various Cabinet memoranda of 1920, enclosed in C.O.730/14/30974.

to accelerate the issue of a mandate for Iraq by the League of Nations. Its suggestion was that an 'open door' formula should be incorporated into any TPC concession, whereby after a fixed number of years (15 was suggested) the Company should have to select a limited area for exploitation, having been permitted in the interim prospecting rights throughout Iraq. The land not chosen by the Company could then be thrown open for development by other oil interests.¹ The Petroleum Department had concurred in this formula,² but at a later stage the Foreign Office was to oppose it, both because it confirmed the monopolistic character of the TPC's claim, and because the Iraq Government would be deterred for a considerable period from leasing the remainder of the country, thus militating against the creation of new and substantial sources of revenue.³ In the event, this suggestion was put into abeyance until it was revived during the commercial negotiations as a feasible rejoinder to some of the State Department's objections.

Although the Cabinet did not consider the 'open door' formula, a further step towards the evolution of a coherent British policy towards Iraq's oil was taken at an interdepartmental meeting on petroleum, held 30 June 1921.⁴ At this meeting

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1. Winston Churchill to Sir M. Hankey, 20 June 1921, C.O.730/14/30974. The suggested formula was eventually incorporated, in a much modified form, into the TPC concession, Articles 5 and 6. Hurewitz, II, p.133.
 2. J. Cadman, Petroleum Department, to Shuckburgh, Colonial Office, 28 May 1921, attached to C.O.730/14/30974.
 3. Minutes by Weakley, 13 December 1921, and other Foreign Office minutes, E12708/576/93, F.O.371/6364.
 4. Minutes of the 6th Meeting of the Interdepartmental Committee on Petroleum, 30 June 1921, enclosed in Petroleum Department to Colonial Office, 13 July 1921, C.O.730/15/34673.

it was eventually decided that, although the Iraq Government was as yet unable to grant a concession, pending the ratification of the mandate, an attempt should be made to proceed with negotiations with the TPC, on details of royalties, conditions, etc., so that approval of the concession could be quickly given as soon as the legal authority was available. The Colonial Office urged this course of action upon the meeting so as to secure some return on Britain's enormous expenditure in Iraq at the earliest possible moment. This meeting represented a further avowal of the Colonial Office's willingness to accept, despite misgivings, the validity of the TPC's 'concession'. Negotiations with the Company were, however, felt to be impossible until the Cabinet decision of 23 January 1920, that there should be state working of the oilfields, was rescinded.¹ A Cabinet memorandum was therefore drawn up, circulated and officially approved. In this, the Colonial Office again reiterated its belief that the diplomatic correspondence with the United States had committed the British Government to the working of the Iraq oilfields by the TPC; and thus requested permission to open negotiations with the Company at an early date, on the basis of development through private enterprise, the royalties accruing to the Iraq Government.²

Although Colonial Office thinking on oil at this time was only a little more coherent than that of the British Government as a whole prior to 1921, it was in effect working on the

1. Minute by H.W. Young, 10 August 1921, on C.O.730/15/38940.

2. Memorandum on Mesopotamian oil and the TPC by the Secretary of State for the Colonies, 29 August 1921, C.P.3271, attached to C.O.730/15/42609.

following lines. Despite serious misgivings as to the validity of the TPC's claim, the Middle Eastern Department was prepared to open negotiations with that company, in part because of Foreign Office correspondence with the United States Government, in part because the company offered a useful method whereby the Department's primary objective, early exploitation of the oil resources, could be attained. The Colonial Office still desired a British company at least to begin operations, and was ready to resist rival claims which might result in complete American control of Iraqi oil. However, it was prepared to limit the extent of the TPC's concession so as to allow other oil interests (possibly American) to share the oilfields. There would be strong reason to believe, therefore, that the Colonial Office would be favourable, or at least not hostile, to the possibility of an American minority share in the oilfields of Mosul and Baghdad, if this entailed a termination of the United States delaying tactics on the mandates, and the suspected Standard Oil anti-British activity in Mosul.

To enlist American participation, however, it would first be necessary to obtain Foreign Office approval, and prior to November 1921 there was no indication that that Office wished to adopt a conciliatory policy towards the United States. As late as September 1921, the Foreign Office had intended to continue its intransigent line towards the Socony claims in Palestine, only giving way when pressed by the Colonial Office. Moreover, although it would be difficult to know the policy of the new administration until some response was made to Lord Curzon's note of 28 February 1921, the Foreign Office apparently expected it to continue the previous United States line on oil.

Indeed, the new Secretary of State, Charles Evans Hughes, had specifically stated to Ambassador Geddes that '(? On all) important points particularly oil and cables policy of former administration is approved and endorsed',¹ and that the United States Government would not surrender the 'spoils of victory'.² By mid 1921 it was assumed that the new Republican Government fully intended to give vigorous backing to American companies seeking to exploit natural resources abroad.³ As for the specific instance of oil, although Secretary of State Hughes was not thought to be heavily influenced by Standard Oil, Geddes had had occasion at a very early stage in the new administration to protest at a rash - and erroneous - statement by Secretary of the Interior Albert Fall.⁴

There was no reason, therefore, for the Foreign Office to expect any slackening of United States diplomatic pressure, and in the Spring of 1921 its determination to insist upon the validity of the TPC claim showed no signs of abating.⁵ The

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1. Ambassador Geddes to Foreign Office, 14 March 1921, A1863/358/45, F.O.371/5667.
 2. Geddes to Foreign Office, 5 April 1921, A2414/358/45, F.O.371/5667; and Geddes to Foreign Office, 7 May 1921, A3554/358/45, F.O.371/5667.
 3. Geddes to Foreign Office, 3 June 1921, A4208/358/45, F.O.371/5668.
 4. In a debate in the Senate on 12 April 1921 Senator Lodge had quoted from a letter addressed to him by Secretary of the Interior Fall on 21 March 1921, in which Fall had asserted that Great Britain was excluding the Americans from all British-controlled oilfields, that the British Government controlled the Royal Dutch-Shell group, and that the British Government was acting behind the back of the United States Government in Mexico. Geddes to Foreign Office, 14 and 16 April 1921, A2642/A2706/44/45, F.O.371/5639; and Geddes to United States Secretary of State, 20 April 1921, For. Rel. 1921 Vol.II, pp.71-6.
 5. Minutes by R. Sperling to Sir W. Tyrrell, on E2945/382/93, F.O.371/6360; and minutes of an interdepartmental meeting, 18 June 1921, E7110/382/93, F.O.371/6361.

attitude taken by the United States Government towards the Dutch on the Djambi concession¹ seemed to suggest that it would only be a matter of time before Secretary Hughes returned to the charge that the TPC concession was invalid. Sperling, of the Foreign Office's American Department, was already thinking in terms of alliances by May 1921: 'we should find it useful to cooperate with the Dutch against the Americans in oil matters...'² The Office was also taking a hard line against Italian attempts to force a share for themselves in Middle Eastern oil; whilst it was felt that 'It is, no doubt, [Italy's] amiable intention to combine with the U.S. [sic] in upsetting the San Remo agreement',³ the conclusion was that 'This spectre does not seem very alarming. The United States can scarcely be sufficiently hard up to accept or relish Italian assistance in their oil schemes'.⁴

In the late summer of 1921, the Foreign Office was given warning to expect a note on the oil controversy from the new administration. In a note on mandates, Ambassador Harvey explicitly stated that his Government would continue to refute the TPC claim, and would be addressing a separate note on this issue to the Foreign Secretary shortly. Although in the event

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1. The Standard Oil Company (New Jersey) was prevented from holding the Djambi concession because all oil concessions in the Dutch East Indies were reserved for Dutch citizens. The United States Government, in a series of notes, protested at this monopolistic policy. See Wilson, American Business, p.198; and G.S. Gibb and E.H. Knowlton, The Resurgent Years: The History of Standard Oil (New Jersey) 1911-27 (New York, 1956), pp.391-394.
 2. Minute by Sperling, 6 May 1921, on A3990/44/45, F.O.371/5640.
 3. Minute by Sperling, 2 June 1921, on A3870/44/45, F.O.371/5640.
 4. E.G. Forbes Adam, Foreign Office, to J.C. Clarke, Petroleum Department, 17 August 1921, E8954/382/93, F.O.371/6361.

this note did not materialize until 17 November 1921, the Foreign and Colonial Offices were thus warned to commence active consideration of their TPC policy. In October, therefore, the Foreign Office sent the Colonial Office, presumably in preparation for interdepartmental discussions when the note arrived, an extensive memorandum on the history of the TPC up to 1918, and a recent Foreign Office minute on the subject.¹ From these, and an additional minute by Weakley written at about the same time,² Foreign Office thinking can be discerned.

It was now becoming increasingly apparent that no one policy could encompass the promises made to the French Government by the San Remo agreement, the American insistence upon no monopolistic concessions being granted in Iraq, and the need, reluctantly conceded by the Foreign Office, for the new Arab Government in Iraq to consider all pre-war claims to develop the nation's natural resources, and to decide upon the conditions to be imposed. However, come what may, the Foreign Office was still determined to uphold the right of the TPC to a concession. The San Remo Agreement, framed within the context of the Cabinet decision on state working, was now represented as being based solely on the rights of the TPC (although that company was not mentioned in the agreement): whilst the Arab Government in Iraq was, in the eyes of the Foreign Office, legally bound to grant a concession to the TPC, although it was left free to negotiate the actual conditions. In attempting to reconcile all the different constraints, Weakley concluded

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1. Foreign Office to Colonial Office and enclosed memoranda, 15 October 1921, C.O.730/10/51413.
 2. Minute by E. Weakley, 4 October 1921, E10717/382/93, F.O.371/6361.

We have had no intention whatever of creating monopolies of any kind in mandated territories but have simply claimed for a British company, the rights which the Turkish Govt. [sic] agreed to cede to them under conditions which were not defined at the time, but which it will be for the Iraq Government to determine. 1

Hence, both the interested Departments in Whitehall were by the autumn of 1921 committed, albeit with differing degrees of conviction, to the maintenance and upholding of the TPC claim. However, in a formal note on 17 November 1921,² the United States Government made plain that it would reject this claim, and if necessary would delay the grant of a mandate for Iraq until the British Government accepted its point of view. After considerable delay, the Republican administration had apparently adopted the attitude towards Iraq oil of its Democratic predecessor.

The Republican administration which took office in March 1921 had to formulate a new foreign policy which took account both of President Harding's commitment to isolationism during the election campaign, and of the bitter debates on the League of Nations. Nonetheless, many of the Democratic initiatives, especially in economic diplomacy, were continued by the Republican administrations during the 1920s: of particular significance was the expansion of the 'open door' philosophy. However, in view of the business orientation of the Harding Cabinet, it inevitably placed more emphasis than its predecessor on practical assistance to American businessmen operating abroad. This new emphasis was reflected in many spheres, not least the negotiations for Middle Eastern oil concessions.

1. *ibid.*

2. Ambassador Harvey to Secretary of State for Foreign Affairs, 17 November 1921, For. Rel. 1921, Vol.II, pp.89-93.

The diplomacy of the Harding administration, both in general terms¹ and in the specific case of Middle Eastern oil,² has been well covered in secondary sources and will not be discussed in detail here. There are, however, certain significant aspects of its general policy which should be outlined before proceeding to a specific examination of how and why the note of 17 November 1921 was formulated. The two key figures in the evolution and direction of United States foreign policy during the Harding years were the Secretary of State, Charles Evans Hughes, and the Secretary of Commerce, Herbert Hoover. The former, as a prominent lawyer, was to take a particular interest in international law, including the American assertion and expansion of the 'open door'. Hoover, on the other hand, as a businessman himself, was to use his links with the business world to promote the practical side of economic diplomacy. One of his major concerns was opposition to the creation of monopolies controlling natural resources, not just in petroleum, but also other key commodities such as rubber and potash.³ In several instances, notably the rubber

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1. Such as Wilson, American Business; Parrini; William Appleman Williams, The Tragedy of American Diplomacy (2nd edn., New York, 1972); and Joseph Brandes, Herbert Hoover and Economic Diplomacy: Department of Commerce Policy 1921-1928 (Pittsburgh, 1962).
 2. Wilson, American Business, ch.7; DeNovo, American Interests, chs. 6 and 7; and Michael J. Hogan, 'Informal Entente: Public Policy and Private Management in Anglo-American Petroleum Affairs, 1918-1924', Business History Review XLVIII (1974), pp.187-205, (hereafter Hogan, 'Informal Entente').
 3. This was demonstrated before Hoover entered the Commerce Department. Herbert Hoover, U.S. Food Administrator, to Secretary of Commerce, 10 May 1918, File 77270, R.G.40, N.A. See also William Appleman Williams, The Tragedy of American Diplomacy (2nd edn., New York, 1972), ch.4; Wilson, American Business; and Joseph Brandes, Herbert Hoover and Economic Diplomacy: Department of Commerce Policy 1921-1928 (Pittsburgh, 1962).

controversy,¹ this was to place Hoover in direct conflict with British interests and British Government policies. Under his direction, the Commerce Department became far more efficient, and sought to play a greater part in the determination and direction of economic foreign policy.² This was to result in more aggressive support by the government for American businessmen abroad, and a tendency to emphasize practical solutions above the maintenance of ideology. On occasion, the State Department proved jealous of Commerce Department interference in what it saw as its special sphere of influence, but the two were to combine in promoting an open door for oil companies, not only in the Middle East, but also Russia, the Dutch East Indies, Mexico and several South American countries.³

In March 1921, the permanent officials in the State Department had two pressing reasons to evaluate and possibly revise existing policy towards Iraq oil and the TPC: the inauguration of the Harding administration, and the need to formulate a reply to Lord Curzon's note of 28 February 1921. Even before this note had been received, petroleum expert A.C. Millspaugh had begun to consider draft terms for a settlement, not just of the Iraq oil question, but also of several world-wide controversies concerning petroleum, by means of an Anglo-American diplomatic agreement.⁴ The desirability of this, in Millspaugh's

1. Ibid., pp.84-128. As a consequence, the British Foreign Office came to the conclusion that Hoover was inherently anti-British, and would therefore make an undesirable President. See Chapter 6 below.

2. Ibid., pp.3-21.

3. Wilson, American Business, ch.7; and Hogan, 'Informal Entente'.

4. Memorandum by Millspaugh on the General Petroleum Situation, 19 February 1921, 800.6363/325, R.G.59, N.A.

opinion, was strengthened still further by the British note. Whilst criticizing the '...weaknesses and absurdities of the British note...' and commenting that the position of the British Government appeared '...legally and morally untenable...', Millspaugh nonetheless concluded that

In my opinion, it is clearer now than formerly that a satisfactory adjustment of the petroleum question is absolutely bound up with the working out of a general understanding with the British. Unless this understanding can be reached, it is apparent that the British will concede nothing to us and will take all they can get by any means in their power.¹

The changeover in administration seemed an ideal time to commence negotiations on such an Anglo-American petroleum agreement, not least because 'The recent notes from Britain have been particularly satisfactory and we have had other indications that they are conciliatory in their attitude'.² Almost immediately upon taking office, Secretary Hughes was urged to adopt a conciliatory approach, and seek a compromise with Great Britain on not only oil issues, but also the shipping and armament questions.³ The desirability of such an agreement was strongly advocated by Millspaugh throughout April and May, not least because of its significance for international diplomacy.⁴ It was clearly believed

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1. Memo by Millspaugh on the British Note of 28 February 1921, 3 March 1921, 890G.6363T84/23, M722/24.
 2. T.W. Swigart to A.W. Ambrose, 14 April 1921, Bureau of Mines, Special Files, E91, Vol.1, R.G.70, N.A.; and minute by Millspaugh, 19 May 1921, 800.6363/278, R.G.59, N.A.
 3. Minute by Van S. Merle-Smith to U.S. Secretary of State, 11 March 1921, State 800.6363/325, R.G.59, N.A.
 4. See, for example, minute by Millspaugh to Dearing, 12 May 1921, 800.6363/329; and memo by Millspaugh, 14 April 1921, 890G.6363/66, both in R.G.59, N.A. M722/23. The possibility of such an agreement is discussed briefly in Hogan, 'Informal Entente'.

within the State Department that Great Britain was prepared to negotiate such an agreement, although this belief was based upon erroneous reports that John Cadman had been appointed as an expert adviser to Ambassador Geddes,¹ and that Anglo-Persian was willing to enter into a joint partnership with Standard Oil in Russia and Iraq, with the approval of the British Foreign Office.²

In early May 1921, however, the Secretary of State decided not to reply to the British note immediately, thus effectively preventing any initiative for an informal conference. The ostensible grounds were that the State Department was worried at '...the feeling created at the British Foreign Office by the tone of certain notes sent in January and February last which were rather sharp in tone'.³ Additional reasons can be surmised. Cadman had, of course, failed to arrive in Washington, thus implying that reports of a new conciliatory attitude within the British Government were erroneous. In the meantime, alternative routes for American participation in the Iraq oilfields, other than by reaching an agreement with the British, had opened up: in particular, the revival of the Chester claims,⁴ and the continued success of the Kemalists in Turkey. Information had already been received that, if the Turks regained Mosul,

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1. Butler Wright to U.S. Secretary of State, 23 March 1921, 841.6363/133, R.G.59, N.A., M580/146; and various correspondence in April 1921, 800.6363/242A-243L, R.G.59, N.A.
 2. Memo by Millspaugh for the U.S. Secretary of State, 22 April 1921, 811.6363/68, R.G.59, N.A.
 3. Unsigned minute to Millspaugh, 10 May 1921, 811.6363/72, R.G.59, N.A.
 4. Rear Admiral C.M. Chester to the Secretary of the Navy, 30 March 1921, 'Oil', Commerce, Herbert Hoover Papers, Herbert Hoover Presidential Library (hereafter Hoover Papers).

they would probably wish to involve American interests in the exploitation of the oilfields.¹

An additional factor was the concurrent development of an alternative, more pragmatic, policy, spearheaded by Secretary of Commerce Hoover. Hoover believed strongly in a policy of 'conservation at home, exploitation abroad'; thus, for him, what was significant was not the solution of diplomatic controversy, but actually securing for American oilmen a stake in the Iraqi oilfields. He therefore attempted to get '...in touch with the petroleum industry in the country in an endeavour to organize something specific that we can get behind'.² The result was the famous conference of 16 May 1921 with representatives of the oil industry,³ which helped consolidate the already existing possibility of a consortium of companies willing to exploit oil in Iraq.⁴ However within the State Department one prime cause for concern, to Millspaugh at least, was that his plans for a comprehensive, world-wide political agreement would become nothing more than a mechanism whereby American oilmen gained control of Iraqi oil.⁵ For the remainder

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1. A.W. Dulles to U.S. Secretary of State, 24 March 1921, 867.6363/75; and High Commissioner Bristol to U.S. Secretary of State, 29 March 1921, 867.6363/76, both in R.G.59, N.A., M353/67.
 2. Hoover to Henry P. Fletcher, 14 April 1921, 800.6363/272, R.G.59, N.A. See also Hoover to President Harding, 2 April 1921, Roll 191, File 241, Warren Harding Papers, Library of Congress.
 3. See DeNovo, American Interests, pp.184-191.
 4. Memo by A.C. Millspaugh of a conference at the Bureau of Mines on 1 April 1921, 12 April 1921, 811.6363/46; memo by the Assistant Secretary to the Secretary and Millspaugh, 6 May 1921, 811.6363/70; and memo by Millspaugh, 13 May 1921, 811.6363/73, all in R.G.59, N.A.; Mark Requa to Secretary Hoover, 23 April 1921, and Hoover to various oil representatives, 6 May 1921, Box 219, Commercial Official, Hoover Papers; and A.C. Bedford to Hughes, 21 May 1921, 890G.6363/28, R.G.59, N.A. M722/23.
 5. Minute by Millspaugh to Dearing, 12 May 1921, 800.6363/329, R.G.59, N.A.

of the summer, therefore, the concept of a political solution was put into abeyance, together with any discussion of a reply to the last British note, so as to allow time for American oilmen to organize a consortium of those companies interested in entering Iraq, and to establish links with British representatives of the oil industry.

By the end of September, renewed consideration was being given to the drafting of a note to the British Government. Despite assurances that the British were anxious to reach an agreement with the United States on oil,¹ there was no sign of such an agreement materializing, whilst a solution of the mandate question also waited upon the United States giving its consent to the mandate terms - consent it was prepared to withhold, if necessary, until the TPC controversy was solved.² This, however, could only postpone yet further the eventual grant of a concession for the oilfields of Iraq - a concession that might yet go to American interests if the State Department posture of rigid opposition to the ratification of the TPC claim, prevailed. An additional reason for the despatch of another note was the impending Washington Conference, at which it was hoped to discuss several outstanding sources of Anglo-American friction, such as naval ratios, disarmament, and the Anglo-Japanese Alliance. By making plain the United States continued insistence upon the open door, the State Department hoped to pave the way for a multilateral acceptance of that principle at the conference, whilst at the same time making it

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1. Memo by Millspaugh of a conversation with Mr. L.I. Thomas, President of Socony, 4 August 1921, 841.6363/172, R.G.59, N.A. M580/147.
 2. Various correspondence, 23 September 1921, on 890G.01/289, R.G.59, N.A.

impossible for the British to use economic concessions in mandated territories as a bargaining counter to secure their own desiderata. Throughout September and October, therefore, discussion took place within the Department on the arguments to be advanced in the proposed note.¹ Although there was some dispute as to whether to object to the TPC's claim on legal grounds, or on the basis of its seeking to hold a monopolistic concession, it was clear that in any event the Department was totally unprepared to recognize or validate the TPC claim, and was inclined to press strongly for arbitration of that claim should the British prove obdurate. It was also determined to utilize the current atmosphere of Anglo-American rapprochement, in an attempt to force the door open for its citizens in Iraq:

With the diplomatic support of France and Japan, the present British Government is not likely to recede from the position which it has taken, unless it is convinced of the material value of our good will and that our good will will be affected by this particular question...²

Having been informed in early November that a consortium of American oilmen stood ready to enter Iraq,³ a note was finally addressed by Ambassador Harvey to Lord Curzon on 17 November 1921⁴ at a time likely to be most effective (the Washington Conference had opened five days earlier). In this note, the

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1. See various memoranda, September and October 1921, on 890G.6363/49a, R.G.59, N.A., M722/23.
 2. Memo by Millspaugh, 20 October 1921, on *ibid*.
 3. W.C. Teagle *et.al.* to U.S. Secretary of State, 3 November 1921, 890G.6363/49, R.G.59, N.A., M722/23.
 4. Ambassador Harvey to the Secretary of State for Foreign Affairs, 17 November 1921, For. Rel. 1921, Vol.II, pp.89-93.

United States Government reasserted its demand that American citizens should be granted equal opportunity in mandated territories, questioned yet again the legality of the TPC claim, which it suggested should be referred to arbitration, and also hinted at possible objections on the grounds that the claimed concession was monopolistic.

With the arrival of this note, it thus became necessary for the British Government to review its attitude towards American participation in the oil resources of Iraq, not least because of the decision already taken and conveyed to the United States authorities, to allow Socony to proceed with its investigations in Palestine; a decision taken in order to lessen Anglo-American friction. It was at the instigation of the Colonial Office that official policy towards Socony had been reversed; and it was also within that Office that the first steps were taken towards modifying the existing Whitehall attitude on the TPC - to which, hitherto, the Colonial Office had adhered.

On the same date on which the latest United States note was received in the Foreign Office, but apparently unconnected with its arrival, Reader Bullard presented a very important memorandum to the Middle Eastern Department.¹ In this memorandum, he suggested that there might be a good case for throwing over the TPC and adopting a completely different policy. He justified this by a discussion of the legal basis of the TPC's claim, viz. the transference of the concession by Sultan Abdul Hamid to either his private account or to the Civil List, the transference of this concession back to the Turkish Government, and

1. Minute by R. Bullard, 19 November 1921, C.O.730/16/58617.

the letter of the Grand Vizier, the legality of all of which could have been questioned with considerable justification. Pointing out that the Iraq Government could declare all concessions based upon Abdul Hamid's original transfer to be null and void, Bullard suggested that this should be done. As a result, the Colonial Office would not have to force the Iraq Government to accept the TPC as a concessionary whilst, as an alternative, it might prove possible to bring about some arrangement between the Iraq Government on the one hand, and British and American interests on the other, thus securing valuable political support from the United States. There is no indication that this suggestion was in any way prompted by consultation with other government departments; it appears to have been solely the consequence of Colonial Office opinion, evolved over a period which had seen delay and procrastination in the issue of the Iraq mandate, and hence in the development of that country's few financial assets.

On 24 November 1921, Bullard's memorandum was discussed informally by Bullard himself, J.C. Clarke of the Petroleum Department, and Weakley of the Foreign Office.¹ The latter informed the meeting of the latest American note, and its strong demand for the reference of the TPC's claim to arbitration. Bullard then put forward the somewhat heretical idea that the United States view could be strongly defended, since the concession was at best only one of many items in an agreement between the British, German and Turkish Governments in 1914. Since the agreement had never been signed, and '...the war knocked the bottom out of it...' there was, Bullard maintained,

1. Minute by R. Bullard, 29 November 1921, on C.O.730/16/58617.

a strong case for arguing that the TPC concession was likewise no longer in effect. The other two participants in the meeting concurred with Bullard's view that it would be '...a most valuable political asset...' were Great Britain assured of the support of the United States instead of its hostility, particularly if the worst came to the worst, and the Turks regained Mosul (and with it part of the oil bearing territory). Clearly the Kemalist successes in Asia Minor, with their implications for the defence and stability of Iraq, had had an important effect on the attitude of the Colonial Office.

At this meeting, a solution was suggested which would prevent the Foreign Office having to eat its words, a course of action which Lord Curzon at least would have found extremely distasteful. Clarke of the Petroleum Department suggested that, in view of the possible arrangement between the Anglo-Persian and Standard Oil Companies to work the North Persian oil concession jointly, Anglo-Persian might be inclined to reach a similar arrangement with the American company in Iraq if the British Government's position was fully explained.

Within the Foreign Office, therefore, Weakley, the petroleum expert, was apparently convinced of the desirability of some kind of commercial settlement, as a way of solving Iraq's problems and averting further American pressure. It will be recalled that in the case of Palestine, Weakley's recommendation of a conciliatory policy was rejected by Sir Eyre Crowe. However, in this instance Crowe had already been impressed by Gulbenkian's expressed opinion that the best policy was to come to terms with Standard Oil. In view of the fact that the Foreign Office was already moving towards a commercial settlement in North Persia, whilst the Colonial Office was thought to be favourable towards letting the Americans into

Iraq, it was agreed by Lord Curzon that Weakley should discuss the possibility of an inter-company agreement with the Petroleum Department.¹ On 30 November 1921, therefore, Weakley saw Clarke of that Department, who suggested that, since the situation was a difficult one in view of the British diplomatic support for the TPC, it would probably be best if any arrangement was brought about by commercial negotiations between companies, rather than by diplomatic agency, for

Mr. Clarke felt that the giving of an interest to Americans in Mesopotamia would go very far towards removing our difficulties with the U.S. Govt. [sic] , and would no doubt be of advantage to British interests..... 2

Thus, yet again the Colonial Office and the Petroleum Department were in effective alliance to urge upon the Foreign Office the advantages of a conciliatory policy. In evolving its own reaction to the United States Note, therefore, the Foreign Office was well aware of the fact that other departments in Whitehall would favour conciliation rather than confrontation. Moreover, the current state of Anglo-American relations also impelled it to a gesture of conciliation towards American interests. Following the acceptance by the British Cabinet in June 1921 of the fact that 'Britain cannot quarrel with the United States',³ the American Government had in effect been manoeuvred into calling a disarmament conference, which met in Washington D.C. from November 1921 to February 1922. In the series of Treaties that resulted from this Conference, Great Britain surrendered

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1. Minutes by Sir W. Tyrrell, 24 November 1921, and Sir E. Crowe, 25 November 1921, on E13144/382/93, F.O.371/6362.
 2. Minute by Weakley, 30 November 1921, on E13144/382/93, F.O.371/6362.
 3. Cabinet Minutes, 56th Meeting, 30 June 1921, CAB.23.

her naval supremacy, and the twenty year old Anglo-Japanese Alliance, in order to placate the United States.¹ Coincidentally, on 6 December 1921, a treaty was signed which achieved a settlement of the Irish question, for so long a running sore in Anglo-American relations.² Thus, the only two major sources of friction with the United States remaining unresolved were the war debts issue and the oil controversy. Sir Auckland Geddes, British Ambassador in the United States, and long time advocate of Anglo-American rapprochement and friendship, was to continue to urge upon the Foreign Office the settlement of these two outstanding differences.

It is within this context that one must read the correspondence concerning oil that was sent to the Foreign Office by Ambassador Geddes in December 1921 and January 1922. Although Geddes was primarily commenting upon the proposed commercial settlement in North Persia, the implication was that the conciliatory attitude adopted there might profitably be extended to Iraq. The Ambassador emphasized the beneficial effect that such a general settlement might have upon Anglo-American relations; an agreement between Anglo-Persian and Standard Oil

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1. Thomas H. Buckley, The United States and the Washington Conference, 1921-1922 (Knoxville, Tennessee, 1970); Ira Klein, 'Whitehall, Washington and the Anglo-Japanese Alliance, 1919-21', Pacific Historical Review 41 (1972), pp.460-483; and Roberta Allbert Dayer, 'The British War Debts to the United States and the Anglo-Japanese Alliance, 1920-1923', Pacific Historical Review 45 (1976), pp.569-595.
 2. Alan J. Ward, Ireland and Anglo-American Relations 1899-1921 (London, 1969), ch.11.

...might well give a new aspect to the whole oil situation, and remove one powerful factor from amongst the hostile influences to be reckoned with in the relations between the United States and the British Empire. 1

an assertion to which Hoover was later to lend credence.²

However, even before Geddes' representations, Foreign Office opinion was moving strongly towards support of the commercial settlement favoured by the Colonial Office and Petroleum Department. This opinion was summed up in a long, and powerfully argued memorandum by Weakley.³ Primarily a detailed, paragraph by paragraph, criticism of the latest United States note, Weakley also surmised that, since the United States Government clearly linked the TPC controversy with the general dispute over monopolies in 'A' mandated territories, further delay in the ratification of the Iraq mandate would possibly result unless a settlement was reached on the oil question. He then proceeded, in a lengthy conclusion, to discuss alternative future policies. Although he reiterated as firmly as ever the Foreign Office's complete belief that the TPC was in possession of a diplomatically binding promise of a concession, Weakley also admitted that there could be no guarantee that a court of arbitration would accept this view. Two other problems were also clearly exercising the Foreign Office; the American counter-claim that

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1. Geddes to Foreign Office, 23 December 1921, E329/7/34, F.O.371/7812. Oliphant shared this opinion; see his minute, 11 January 1922, on *ibid*.
 2. Geddes to Foreign Office, 20 January 1922, A904/177/45, F.O.371/7278; and Geddes to Foreign Office, 18 January 1922, E712/7/34, F.O.371/7812.
 3. Minute by Weakley, 13 December 1921, E12708/576/93, F.O.371/6364. Davis, British Oil Policy, pp.128-129 wrongly asserts that the Foreign Office initiated the suggestion of a commercial settlement.

the concession was monopolistic; and the Colonial Office's insistence that the Iraq Government would have to be induced to recognize the validity of the Company's claim. The Foreign Office reluctantly admitted that this last might pose a sincere problem which would '...require some consideration as Standard Oil influence, skilfully directed, might possibly be brought to bear on native members of the Arab administration'. Also talking into consideration rival claims of other companies to the concession, particularly the 22 heirs, the Foreign Office stated that it might be a good idea to examine the possibility of adopting either the United States suggestion of arbitration, or '...some other method of meeting the United States Government'.

Weakley then proceeded to examine the various alternative methods of doing this. One was Churchill's suggestion that the area of the TPC's eventual mining lease should be restricted.¹ This the Foreign Office did not really favour. A second course was that some understanding on commercial lines might be arrived at with the Standard Oil on Iraq which '... in the end might tend to dissipate our differences with the United States Government'. Such a commercial bargain between the TPC and Standard could give the Americans a share, either of the TPC's shareholding, or the output of oil. If the former, the Americans would probably want at least parity with the French (25%), and, in view of the total British holding of 75%² might hold out for more.

1. W. Churchill to Sir M. Hankey, 20 June 1921, C.O.730/14/30974.

2. This figure was not strictly accurate, being based upon the assumption that Anglo-Saxon, a British registered subsidiary of Royal Dutch-Shell, was wholly British. In fact, 60% of the company was owned by Royal Dutch - a Dutch firm.

Clearly, it would have to be a condition that any commercial arrangement would be dependent upon the American State Department ceasing to dispute the validity of the TPC's claim.

Weakley argued that the best course would be for the TPC to negotiate with American and possibly Italian interests on the formation of a new company, which would then approach the Iraq Government for the grant of a new concession to develop all the oil resources found in Iraq, thus obviating the need to justify the rights of the TPC to the United States and Iraq Governments. Weakley's rendering of Bullard's argument was accepted by Forbes Adam, Crowe and Curzon,¹ and, having been accepted as Foreign Office policy, the memorandum was sent to the Colonial Office on 20 December 1921, together with a request for that Office's opinion of the proposal that a settlement should be made on commercial lines.²

Discussion of the memorandum in the Colonial Office did not even embrace the actual principle of American and Italian participation which, as Hall pointed out, '...emanated from this department'.³ He therefore immediately proceeded upon the assumption that it only remained to give careful consideration to the steps necessary to implement foreign participation. A major preoccupation was to avoid the British Government having to recant its hitherto intransigent position; this effectively ruled out any official approach by the British to the American Government, since this would be seen by the United States

1. Minutes by Forbes Adam, Crowe and Curzon, 16 and 17 December 1921, on E12708/576/93, F.O.371/6364.

2. Foreign Office to Colonial Office, 20 December 1921, E12708/576/93, F.O.371/6364.

3. Minute by J.H. Hall, 30 December 1921, on C.O.730/10/63008.

'...as tantamount to an acknowledgment that the validity of the company's claim is open to doubt'. Even feelers by the Anglo-Persian would almost certainly be reported by the Standard Oil Company to the State Department as a weakening of the British line. Hall therefore suggested that they should instead press Anglo-Persian to encourage Standard Oil to take the initiative. The British Government could then postpone any reply to the Americans until the commercial negotiations reached an advanced stage. An official Note to the United States Government could consequently argue that, a settlement on commercial lines being so near, a referral to arbitration was unnecessary. An alternative would be to notify the United States Government immediately that the British Government was prepared to recommend to the TPC that it should admit American and Italian interests. Hall did not desire to adopt this latter course, although he did not elaborate upon the reasons. It is possible, however, that his attitude reflects the Colonial Office's primary concern with Iraqi policy, rather than Anglo-American relations, since by the former course, the British Government would retain complete freedom of action should negotiations break down. In any event, the Colonial Office's reply to the Foreign Office clearly accepted the principle of a commercial settlement, and suggested an informal conference to discuss the question of a reply to the American note,¹ a suggestion with which Weakley concurred.²

The Petroleum Department was in agreement with most of the Colonial Office's attitudes, except that it opposed Italian

1. Colonial Office to Foreign Office, 3 January 1922, C.O.730/10/63008.

2. Minute by Weakley, 5 January 1922, on E132/132/65, F.O.371/7782.

participation in Iraqi oil. It did, however, strongly favour American entry into the TPC and, in view of the negotiations in progress between Standard Oil and Sir John Cadman of Anglo-Persian concerning the North Persian concession, agreed with Hall that a reply to the American Note might wait on a commercial settlement.¹ One primary consideration, in the eyes of the Petroleum Department, was the need to avoid if possible any reference of the TPC's claim to arbitration, the outcome was regarded as by no means certain.

Besides the argument adduced in this correspondence in favour of American participation, there must also be taken into account the opinion expressed by two leading counsel, that whilst His Majesty's Government was undoubtedly within its rights in supporting the TPC's claims, such claims were diplomatic rather than legal, and were primarily based upon considerations of international right. The Petroleum Department found this reassuring, but the Colonial Office felt such arguments would be of little significance in a Court of International Arbitration,² an opinion shared by the Foreign Office.³ The policy of encouraging a commercial settlement, and hence avoiding the necessity of an arbitration decision, thus appeared even more desirable. Meantime, the increased activity by the '22 heirs' heightened still further support for a commercial settlement.⁴

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1. Petroleum Department to Foreign Office, E156/132/65, F.O.371/7782.
 2. J.C. Clarke, Petroleum Department, to R.W. Bullard, Colonial Office, 9 January 1922, C.O.730/33/1856; and minute by J.H. Hall, 12 January 1922, on *ibid*.
 3. Petroleum Department to Foreign Office, 7 January 1922, E604/132/65; and minute by Weakley, 11 January 1922, E412/132/65, F.O.371/7782.
 4. Sir H. Rumbold to Foreign Office, 7 January 1922, E604/132/65, and minutes on *ibid*, especially those by Weakley, 2 March 1922 and Sir C. Hurst, 9 March 1921; and minutes on E634/132/65, both on F.O.371/7782.

So, by the end of January 1922, the Foreign Office was completely in favour of co-operation between Standard Oil and Anglo-Persian in Iraq, a solution which, as D.G. Osborne minuted,

...seems eminently desirable. I suppose participation of the Standard Oil in the Turkish Petroleum Co.'s [sic] concession will still the doubts of the U.S. Govt. [sic] as to the validity of that concession? I wish we could give the Italians a share too. I suppose we should if they had as big a stick as the Americans. 1

Events later that year were to substantiate Osborne's doubts as to whether American participation in the TPC would be sufficient to satisfy the United States Government. The opening of negotiations did, however, help minimize the Foreign Office fear that Standard Oil might bring strong pressure to bear upon the Iraq Government, thus preventing the ratification of the TPC concession.² The Colonial Office had an additional suspicion that the Standard Oil Company might be backing the Turks, in the hope of securing a concession over Mosul if that district should revert to Turkey:

It is not known how far the United States Government are aware of the Standard Oil negotiations with Angora, but their attitude regarding 'A' mandates generally, the North Persia oil concessions, railway enterprise in Persia, etc., leads to the belief that they would not regret the return of the Turks to Iraq if it gave United States oil interests a hold in the Iraq oil-fields. 3

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1. Minute by D.G. Osborne, 24 January 1922, on E782/132/65, F.O.371/7782.
 2. Minutes by Weakley, 4 February 1922, on *ibid*; and 27 February 1922 on E2193/132/65, F.O.371/7783.
 3. Memo on Foreign Incitement of the Turks to attack Iraq, circulated by the Secretary of State for the Colonies, 13 December 1921, C.P.3566, CAB.24/131. See also Mejcher, Imperial Quest, pp.118-119.

Since all the interested departments were fully in agreement with the proposed policy, it is hardly surprising that an informal conference held at the Colonial Office on 16 January 1922 rapidly concluded that any reply to the United States Government should be postponed whilst commercial negotiations proceeded.¹ Responsibility for the overseeing of further developments was surrendered by the Foreign Office, which now regarded the whole question as being the Colonial Office's 'pigeon'.² It is interesting to note that the conference proceeded on the assumption that the principle of American participation was already accepted by the British Government, although there was as yet no Cabinet sanction for this policy. After discussion, it was decided that arbitration should be avoided if possible, by a settlement on commercial lines, and that the sanction of the Cabinet should be obtained, both for the principle of American participation, and for the proposed method of securing it.³

On 13 March 1922, therefore, Churchill circulated a Cabinet memorandum requesting Cabinet approval for the decisions taken by the January conference.⁴ Stating that 'The High Commissioner for Iraq is constantly pressing for a decision which will make it possible to proceed with the development of the oil resources of Iraq', Churchill emphasized the major financial and political problems caused by the delay, and pinpointed the opposition of

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1. Minute by Hall, 17 January 1922, on C.O.730/27/1695. Details of this informal conference are given in Mejcher, Imperial Quest, pp.120-121.
 2. Foreign Office to Colonial Office, 10 January 1922, and minute by Weakley, 5 January 1922, both on E132/132/65, F.O.371/7782.
 3. Foreign Office to Colonial Office, 17 February 1922, E1590/132/65, F.O.371/7783.
 4. Memorandum on Iraq Oil by the Secretary of State for the Colonies, 13 March 1922, C.P.3832, CAB.24/134.

the United States Government to the ratification of the mandate as the major delaying factor. Since the abandonment of the TPC's claim would be a blow to the prestige of the British Government, this alternative was rejected. So, too, was the possibility of a reference to arbitration which might well go against the British Government, and, in any case, would leave unanswered charges of monopoly. Churchill therefore conceded that the British Government was 'driven back' on to the alternative of admitting American interests to a minority holding in the TPC, to be arranged, if possible, by commercial negotiations initiated by the Standard Oil Company. Cabinet sanction having been obtained, the question became one of commercial negotiations between the companies involved, in which the British Government officially played no part.

Pending the outcome of the hoped-for commercial settlement, replies to the American Government's two notes on mandates and the TPC were postponed. The Foreign Office clearly hoped that such a settlement would also bring to an end United States objections to the Iraq mandate, Forbes-Adam of the Foreign Office explaining to the Cabinet Office that

...we hope that their objections to the concessions article in the mandate... may be diminished or indeed waived altogether, once the vexed question of the Turkish Petroleum Company's claim to oil concessions in Irak is decided so far as the United States are concerned. 1

The Foreign Office had good reason to be optimistic on this point for, shortly after the Socony claim in Palestine had been settled, Secretary of State Hughes had informally expressed his willingness to negotiate a treaty between the United States and Great Britain,

1. Forbes Adam to C. Tufton (Cabinet Office), 27 February 1922, E1992/78/65, F.O.371/7775.

whereby American citizens would be accorded the same privileges in Palestine as were extended to members of the League of Nations. He expressly stated that the United States would not insist upon provisions being incorporated into such a treaty against the granting of monopolistic concessions, provided that the British Government gave assurances that American citizens would be granted equal treatment.¹ Only time could tell whether the United States would be prepared to show the same accommodating spirit in the case of Iraq.

In effect, therefore, by January 1922, despite an earlier determination not to surrender to American pressure in Iraq, the British Government had accepted, as it had done in Palestine, the necessity of accommodating United States protests. In both cases, it was the Colonial Office which had initiated the conciliatory policy. As was examined in the last chapter, in deciding to allow Socony to proceed with work on its claims, the Colonial Office was motivated almost entirely by a desire to mitigate Anglo-American friction. Given the timing of the demarche in Iraq, coincident with the Washington Conference and the settlement of the Irish question, one might have expected that that, too, reflected a desire to accommodate the United States. Whilst it was undoubtedly this reasoning that prompted Ambassador Geddes to urge compromise upon the Foreign Office, the Colonial Office's reasons for agreeing to the admittance of American participation were somewhat complex, and influenced almost entirely by considerations of Iraqi policy. Shuckburgh once again summed up the essence of the Colonial Office attitude:

1. Hughes to Balfour, 27 January 1922, E2469/78/65, F.O.371/7775.

The present position is that everybody here is agreed that it is impracticable to insist on the exclusive rights of the Turkish Petroleum Company, or to keep American oil interests permanently out of Iraq. That being so, it behoves us to open the door to the Americans with the best grace that we can assume. 1

Clearly the doubts felt by certain Colonial Office officials as to the validity of the TPC's claim, and their unwillingness to impose these claims upon the Iraq Government, were important in the evolution of policy.² In the circumstances, the admittance of American interests was seen as a way of preventing the greater evil of a reference to arbitration or, as Young put it, of getting 'some kind of white from two or three blacks'.³ Such a solution would also have an effect on more pressing problems, such as the ratification of the mandate, and possibly even the Kemalist threat, and bring with it

...the obvious advantages which would result from securing the active support of the American Government in the Middle East, a result which in my opinion could not be attained without satisfying in some measure American aspirations with regard to Iraq oil. 4

Apart from the positive advantages of admitting American interests, there had also to be considered the problems that would inevitably result from continued resistance to American demands, demands which Churchill at least seems to have regarded as

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1. Minute by Shuckburgh to Sir J. Masterton-Smith, 30 January 1922, on C.O.730/33/3624.
 2. Minute by R. Bullard, 19 November 1921, C.O.730/16/58617; and memorandum by R.V. Vernon on the TPC, 13 December 1923, Confidential Print, Middle East No.5 in C.O.935/1.
 3. Minute by Young, 28 January 1922, on C.O.730/33/3624.
 4. Secretary of State for the Colonies to High Commissioner, Iraq, 11 February 1922, attached to C.O.730/33/3124. This was - remarkably - the first time that the possibility of American involvement was broached to the High Commissioner.

understandable.¹ The Colonial Office's pessimism is clearly demonstrated in a letter to the Foreign Office: '...so long as the Americans are excluded from participation in Iraq oil, we shall never see the end of our difficulties in the Middle East'.² These difficulties included, inter alia, the overwhelming need to correct the perpetual deficit on the Iraq revenues, Kemalist demands for Mosul which might well be backed by Standard Oil, and Iraqi discontent at the delay in exploiting what promised to be Iraq's greatest asset.³ Overshadowing all these discussions was the possibility that a reference to the TPC's claim to arbitration might not be successful, whilst even a successful arbitration finding might be followed by a further American challenge, this time on the ground of monopoly, and hence yet further delay in the commencement of an Iraq oil industry. Acceptance of a minority American shareholding would be the lesser of two evils:

It is time that H.M. Government are probably in a position to get from the Iraq Government a concession controlled by British subjects, but to do so would place H.M. Government in a most invidious position vis-a-vis the United States, while if they did not wish to use their influence in this direction, or if their efforts were frustrated by methods which are now known to be familiar to the Standard Oil Company, we might find ourselves forced to accept a situation which left the control of the oil resources in Iraq in the hands of non-British companies or individuals. 4

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1. 'I have never felt that our present attitude was one which you could expect the United States to put up with'. Churchill to Sir P. Lloyd-Graeme, Petroleum Department, 7 January 1922, C.O.730/27/3167.
 2. Churchill to Secretary of State for Foreign Affairs, 1 February 1922, C.O.730/27/3167. This letter is also discussed in Mejcher, Imperial Quest, p.119.
 3. 'Correspondence March 1921 - December 1924 relating to the financial position in Iraq'. Confidential Print, Middle East No.2, C.O.935/1; and minute by Young, 10 August 1921, on C.O.730/15/38940.
 4. Memorandum on Iraq oil by the Secretary of State for the Colonies, C.P.3832, CAB.24/134. On the Colonial Office belief that it could persuade the Iraq Government to grant the TPC a concession, see also Memorandum on Oil Concessions in Iraq by R. Bullard, 19 November 1921, C.O.730/16/58617; and minute by H. Young, 28 January 1922, on C.O.730/33/3624.

commercial agreement was prompted by the desire to solve as soon as possible this continuing source of potential diplomatic friction).¹ In summarizing the reasons for the change of policy at a later date, Weakley presented them thus:

As to American participation, the suggestion to give American interests a share in the Company...was made entirely in the interests of the Company...and with a view to secure American acceptance of the mandate but more especially with the object of avoiding if possible the necessity of accepting the U.S. Govt. [sic] invitation to submit the question of the validity of the Company's claim to arbitration. Such a course, it was felt would, in all probability, go against the Company...'. 2

Had it been possible to admit American interests with comparative ease in the early part of 1922, both the British Government and Iraq would probably have gained rather than lost, by the accession of vast capital and experience, and the cessation of American opposition in all international discussions on Iraq.

Although the commercial negotiations which occupied the following year did not officially concern Whitehall, the Petroleum Department and the Colonial Office nevertheless continued, not only to take an anxious interest in the course of negotiations, but even at times to direct that course.³ The North Persian concession, in which Jersey Standard and Anglo-Persian anticipated working together to avoid cut-throat rivalry (as well as legal and diplomatic controversies) was seen as a possible avenue to co-operation in Iraq. The Foreign Office's otherwise favourable attitude towards this arrangement had been tempered by a fear that

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1. Minute by Weakley, 24 April 1922, on A2680/177/45, F.O.371/7279.
 2. Minute by Weakley, 5 February 1923, on E1399/91/65, F.O.371/8994.
 3. The Foreign Office was informed, but showed very little interest. See file 132/65, F.O.371/7784. The intricacies of the commercial negotiations are well covered in Davis, British Oil Policy, pp.138-145. The discussion below will concentrate upon British Government efforts to ensure that the Americans were granted a shareholding in the TPC.

if any negotiations were opened, however tentatively, it might be difficult to prevent the Americans from endeavouring to extend discussions to other oil-bearing areas of the Middle East. This possibility was now seen as eminently desirable, and in December 1921, since the conversations in New York on North Persia appeared to be progressing favourably, Sir John Cadman, as Anglo-Persian representative, was authorized to enter into preliminary negotiations on Iraq, the details to be settled at a conference in London.¹

Unfortunately, by the time it had been definitely decided in principle to admit Americans into Iraq, as part of a wider commercial bargain, negotiations on North Persia had been broken off.² At first sight, this would not appear to have had adverse implications for discussions on Iraq. However, the British Government was so obsessed by the need for Standard to make the first move that keen interest continued to be taken in the North Persian negotiations, as a suitable vehicle for this. Strong pressure was put upon the Foreign Office to relax its intransigent attitude towards the use of Anglo-Persian royalties as security for the American loan.³ This pressure was to result in the Foreign Office giving permission for the royalties to be used as security for a joint loan by the two companies. This provided a dignified line of retreat for the British Government, and could only improve the spirit of partnership

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1. Lloyd-Graeme to Churchill, 12 January 1922, C.O.730/27/3167.
 2. Minute by Hall, 17 January 1922, C.O.730/27/1695. The negotiations ended because no agreement could be reached as to a suitable financial security for the projected loan by Jersey Standard to the Persian Government.
 3. Amongst those urging a conciliatory attitude on the Foreign Office were Anglo-Persian, the Petroleum Department, and Sir A. Geddes. The Foreign Office also came to share this view. See correspondence and minutes, January and February 1922, E1195/132/65, F.O.371/7782.

and co-operation between Anglo-Persian and Jersey Standard which would facilitate similar arrangements in Iraq.¹

This, however, was insufficient to pave the way for American entry into the TPC. Although Anglo-Persian was the largest shareholder in that company, the Petroleum Department was clearly concerned at the possibility of opposition from the other major shareholders, Royal Dutch-Shell (in the guise of Anglo-Saxon), and the French Government; the admission of the Americans would necessitate a reduction in the shareholdings of the existing participants.² On 19 January 1922 the first official approach was made to the TPC, previous conversations having been conducted with Anglo-Persian. The TPC representatives were informed of the problems facing the British Government, and told that it was felt to be invidious for Great Britain, the mandatory power, to have to uphold against strong opposition the interests of a British company whose case was neither legally inviolable nor complete - a strange reversal of the position upheld in the diplomatic correspondence. After some initial reluctance, the TPC representatives nonetheless agreed that it would be on the whole an advantage to gain American co-operation, and that they were prepared to discuss the question with the Standard Oil Company.³

By 1 February 1922, therefore, the acquiescence of the TPC to American participation had been obtained, the Whitehall Departments concerned were all agreed on the policy to be followed, and the first tentative commercial approaches had been made. Nevertheless, the fate of the reorganization of the TPC continued to

1. Minute by Hall, 21 February 1922, C.O.730/27/3167.

2. Lloyd-Graeme to Churchill, 12 January 1922, C.O.730/27/3167.

3. Petroleum Department to Colonial Office, 21 January 1922, C.O.730/33/3624; and Petroleum Department to Foreign Office, 21 January 1922, E782/132/65, F.O.371/7782.

be regarded as at one with the tempestuous North Persian discussions. The Colonial Office urged the Foreign Office to make any concessions necessary to secure the success of the Khoshtaria Anglo-Persian/Standard negotiations; '...the importance of reconciling American oil interests in the Middle East is so great that we may well pay a high price for it'.¹ However, difficulties continued to plague the Persian discussions, and by May the need for any Iraq settlement to be linked with the now flagging North Persian concession appears to have been dropped, the British Government having succeeded in their primary purpose, to persuade Standard Oil to make the first move. (By this stage, of course, Standard Oil was simply the spokesman for a consortium of 7 American oil companies).

The venue for discussions now moved to London, allowing the Petroleum Department and Colonial Office to play a larger role in directing the course of the supposedly commercial negotiations. Their participation in the discussion revealed at all times an overwhelming desire to facilitate and accelerate American admittance into the Company, and was probably largely responsible for persuading Anglo-Persian to accept the scheme proposed by Royal Dutch-Shell, whereby the entire American shareholding was surrendered by Anglo-Persian in return for a 10% royalty on all oil produced. That solution was only reached, however, after months of negotiation. In July 1922 unofficial and informal negotiations opened in London,² the American representatives having permission from the State Department to discuss the practical basis of American participation, provided such discussions were without prejudice to existing concessions or rights, and dependent upon the approval of the respective

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1. Churchill to Curzon, 1 February 1922, and attached Foreign Office minutes, E1195/132/65, F.O.371/7782.
 2. Memo on Iraq oil by the Middle Eastern Department, 19 July 1922; and minute by Hall, 26 July 1922, C.O.730/34/38009.

governments.¹ The companies had to decide upon two main questions, the percentage to be allotted to the Americans and, as a corollary, how this American share was to be contributed by the other shareholders in the TPC.² The French Government was, somewhat naturally, reluctant to surrender any of its shares without concessions in return, but its disquiet was alleviated by a modification in Article 8 of the San Remo Agreement, thus cutting down the French contribution to any Iraqi interest in the TPC.³

After the preliminary negotiations, a memorandum was drawn up in which no figure for American participation was given, but it was suggested that the American shares should be provided by the original shareholders on a pro rata basis. The first requisite of the State Department, the 'open door', was to be safeguarded by a sublease system, by which the TPC would select, after 2 years, 12 blocks of not more than 16 square miles each, for its own exploitation, and offer similar blocks for auction, the royalty (in crude oil) from the sub-leases accruing to the TPC. However, despite this promising start to the negotiations, difficulties were encountered as soon as an attempt was made to determine the amount of American participation. To the American suggestion of 25%, Sir Henri Deterding of Royal Dutch-Shell countered with a

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1. A.C. Bedford to Anglo-Persian, 27 June 1922, C.O.730/33/31324. Although no government department was officially involved in these talks, the Petroleum Department and, through it, the Colonial Office, was kept informed of developments.
 2. The shareholders and their holdings are normally given as Anglo-Persian - 50%; Anglo-Saxon - 25% (a Royal Dutch-Shell subsidiary); French Government - 25%, although in fact the French Government had not officially taken up their shares, whilst Gulbenkian also held 5% - though it is not clear where that 5% came from.
 3. See various papers on C.O.730/34/36865; C.O.730/29/37788; C.O.730/28/38042; and C.O.730/34/39817.

proposal for 11-12%, and proved implacable.¹ Whilst his hostility to the former proposal was perhaps justifiable, since by this plan his company would have a smaller share than the latest comers, less understandable was Deterding's refusal to accept an otherwise unanimously approved plan whereby Anglo-Persian would hold 40% of the shares, and Anglo-Saxon, the French and the Americans 20% apiece.

At this stage, despite the disavowal by the British Government of participation in these discussions, Colonial Office officials attempted to persuade influential Shell directors of the efficacy of this latest plan, emphasizing that without American participation in the TPC, Great Britain would not secure United States assent to the mandate, without which the TPC concession could not get off the ground. Moreover, further delay might prompt the Iraq Government, already anxious to see the oil developed, to scrap the TPC and offer the oilfields to the highest bidder.² Despite this, Deterding maintained his opposition,³ even in the face of a direct appeal from Stanley Baldwin, President of the Board of Trade.⁴ However, hope of the admittance of American interest was still alive; when, in November 1922, the TPC recommenced negotiations on the details of a concession in Iraq, previously postponed due to the discussions with the Americans, its draft incorporated the sub-lease formula.⁵

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1. Papers on C.O.730/34/38373 and 38375.
 2. Memo by R.V. Vernon, 3 August 1922, C.O.730/34/38395.
 3. Notes of a meeting at the Colonial Office, 4 August 1922, C.O.730/34/38375.
 4. Note of a conference on oil, 8 September 1922, C.O.730/34/46340; draft letter, Baldwin to Deterding, C.O.730/34/46340; and minute by H.W. Young to Secretary of State for the Colonies, 7 September 1922, C.O.730/34/46340.
 5. Petroleum Department to Colonial Office, 6 November 1922, and Colonial Office reply, 14 November 1922, C.O.730/34/55041; and memo of a conference held at the Colonial Office on 21 November 1922, C.O.730/31/56886.

By now, however, the rapid successes of the Kemalists in September 1922 had altered the position considerably. The Turks were now claiming Mosul, one of the richest oil provinces of Iraq, meaning that the negotiations with the TPC were seen as 'mainly of an academic nature'.¹ It was now apparent that a new peace conference would have to be held, to re-negotiate the now obsolete Treaty of Sevres. At this conference (convened in November 1922 in Lausanne) Turkey would no longer be a vanquished enemy willing to accept a dictated peace. In the circumstances, and particularly if Mosul should revert to the Turks (in which case Great Britain would have to press upon the Turkish Government the validity of the TPC's pre-war claims) the support of the United States Government would be crucial.² However, whilst the Lausanne Conference was in progress, the Standard Oil Company issued an ultimatum to the effect that if it did not receive an early guarantee of at least 20% participation in the TPC, it would call off negotiations, and assume freedom to act as it thought fit at Lausanne.³

Thereafter, British attempts to bring about a solution of the TPC controversy followed two paths. At Lausanne, Lord Curzon, and, in the second phase, Sir Horace Rumbold, the British High Commissioner at Constantinople, sought firstly to ensure that Mosul remained within Iraq, and secondly to so word the Concessions Protocol of the draft Treaty as to ensure that by its terms the TPC claim was recognized as valid.⁴ Meanwhile, in London the

1. Minute by Hall, 9 November 1922, C.O.730/34/55041.

2. Minute by Weakley, 15 November 1922, on E12597/132/65, F.O.371/7784.

3. Minute by Hall, 5 December 1922, C.O.730/29/59902.

4. The Lausanne Conference is discussed below. See also Davis, *British Oil Policy*, pp.197-217; and Mejcher, Imperial Quest,

Petroleum Department and the Colonial Office attempted to obtain for Standard Oil the assurance it sought, in the hope of minimizing, or ending altogether, support by that company and the United States Government for the Turks at Lausanne. This essentially entailed persuading Royal Dutch-Shell to accept an equitable re-allocation of shares within the TPC. Such a re-allocation would, however, become yet more complex. Lord Curzon was considering the possibility of quietening Italian and Turkish opposition by offering them a share in the TPC; whilst any new arrangement had also to accommodate Gulbenkian's 5% and the Iraqi option on 20% of the TPC's shares, the last two conveniently ignored in the talks with the Americans. The confusion of the next few months was summed up by Vernon of the Colonial Office, when he commented that the besetting difficulty was that in adding up all the shares, the total always exceeded 100%.¹

With a new urgency dictated by the Lausanne Conference, the British Government effectively abandoned its pretence of non-interference, and brought heavy pressure to bear upon Anglo-Persian and Royal Dutch-Shell to ensure a settlement. The TPC was virtually blackmailed into accepting the Government's guidance on future shareholders, being informed that otherwise the British Government would end its resistance to the reference of the question to arbitration.² Frenetic attempts were then made to cajole or coerce Deterding into accepting the 40-20-20-20 settlement. The Foreign Office was, for the first time, directly involved in negotiations with the companies, with the concurrence of Curzon.³ On 5 December

1. Minute by Vernon, 6 December 1922, C.O.730/29/59902.

2. Minute by Hall, 5 December 1922, on *ibid.*

3. Despite the fact that he found the whole squabble 'intensely sordid and distasteful'. Minute by Lord Curzon, 6 December 1922, and other minutes on E13523/132/65, F.O.371/7785.

1922 Royal Dutch-Shell representatives were informed of the '...absolute necessity of a settlement on the question of the admission of the Americans into the T.P.C. [sic]', it being the definite intention of the Government that the Americans should be let in on a 20% basis, subject to the State Department's withdrawal of all opposition to the TPC's claim.¹ Deterding, however, still refused to accept any alternative to his 25% for all scheme, possibly hoping that negotiations would therefore break down, and his company could ally itself with the Turks or the French.² Faced with the possibility of also having to incorporate a Turkish and Italian shareholding, the Colonial Office again advocated scrapping the entire TPC case,³ clearly feeling overwhelmed by the different claims:

To put it crudely, we have already been successfully blackmailed by the Americans and we are now about to be blackmailed by the Italians....In point of fact we have placed ourselves in a most undignified and unenviable position. Even if we succeed in 'buying off' the Americans, the Italians and the Turks, there is still the matter of the unusual rights of the Baghdad Rys [sic] etc. 4

The determination of the British Government to incorporate the Americans into the TPC and hence, it hoped, curtail American support for the Turks at Lausanne, was clearly demonstrated in the eventual settlement that was reached. Despite the clearly expressed opinion held throughout Whitehall that Royal Dutch-Shell's

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1. Minute by Vernon, 6 December 1922, C.O.730/29/59902; and memo from the Board of Trade to Anglo-Saxon, 5 December 1922, *ibid*.
 2. Minute by Vernon, 8 December 1922, C.O.730/29/59902; and minutes by Weakley, 11 December 1922 on E10170/132/65, F.O.371/7784, and 13 December 1922, on E13923/132/65, F.O.371/7785.
 3. Minute by Vernon, 13 December 1922, on C.O.730/34/61300.
 4. Minute by Hall, 21 December 1922, C.O.730/31/62689.

position was untenable, the arrangement finally agreed upon on 12 December 1922 in fact incorporated that company's suggestion of four equal shareholdings, Anglo-Persian being compensated by one tenth of all crude oil produced. It is unclear how far this conclusion was the consequence of government pressure upon Anglo-Persian, which by virtue of its highly localized production would have been independently anxious for a settlement.¹ However, whilst American demands were clearly satisfied by this award, one condition of the agreement was that the State Department should accept this settlement as satisfying all American claims, and agree that it would no longer question the validity of the TPC's claims. In order to preserve the commercial facade, it was left to Jersey Standard to obtain such reassurances from the State Department.

However, this State Department endorsement might not be so easily obtained. Despite the enthusiasm and keenness of the American Group,² and Ambassador Geddes' opinion that

Position of State Department is that which it usually adopts when American interests are concerned namely, that while it will not pledge itself to support any particular American group it will continue to support - if it can find an excuse - the objection of American oil interests to oil men of other countries developing any oil field without including American interests...I think United States Government will refrain from active diplomatic opposition to confirmation of Turkish petroleum company's [sic] title by Iraq Government because all the most troublesome American oil men are in group now negotiating...with Anglo-Persian. 3

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1. Petroleum Department to Colonial Office, and enclosure, 13 December 1922, C.O.730/31/61781; and Foreign Office to Colonial Office and enclosure, 5 January 1923, C.O.730/47/1100. To be more precise, the 4 main groups held 24% of the shares each, the remaining 4% going to Gulbenkian.
 2. As the consortium of seven American companies was frequently called. See correspondence on E257/E258/91/65, F.O.371/8994.
 3. Geddes to Foreign Office, 12 January 1923, E582/19/65, F.O.371/8994. It would appear, however, that Geddes obtained his information in a conversation with Bedford and Wellman of Jersey Standard.

Foreign Office officials were far from sanguine in view of, not only developments in Turkey and at Lausanne, but also the American interests represented in the claims of Admiral Chester, and the 22 heirs.¹

In the event, Weakley and Osborne were to prove closer to the mark in estimating the likely response of the United States Government. It was in formulating a response to the compromise reached in London that the dichotomy of the State Department's position became apparent. A clear conflict existed, between the ideological commitment to the open door, which had been so vigorously defended in the diplomatic correspondence, and the practical desire, emphasized by Hoover, to obtain for American oilmen a share in the Iraq oilfields. The route chosen by the British Government - of carefully avoiding any formal statement of its position - was closed to the State Department, because of the TPC's insistence that it should recognize the sub-lease formula as satisfying all American claims to the oil of Iraq, and that it should cease to question the validity of the TPC claim. It had, therefore, to be prepared to make a clear statement of its views; if it recognized the TPC, this would be a direct negation of its hitherto firmly stated position, and would be seen as a diplomatic defeat. The problem was to be further complicated by the resuscitation of the Chester claims, which resulted, in April 1923, in the Turkish Government granting Admiral Chester's group a comprehensive railway and minerals concession. Whilst this enabled the State Department to shelter, as it had done in Persia, behind the policy of not discriminating

1. Minute by Weakley, 15 January 1923, on *ibid*; and minute by Osborne, 30 December 1922, E14413/132/65, F.O.371/7785.

between competing legitimate interests, it was to cause major difficulties at the Conference of Lausanne.

The State Department endeavoured throughout the commercial negotiations which occupied 1922 to ensure that any eventual arrangement would comply with the 'open door' and thus accord with the stand taken by it in diplomatic correspondence, in particular its opposition to the validity of the TPC concession. On the other hand, it did not wish to so hinder negotiations that American companies were effectively prevented from entering Iraq. The Department's attitude during the intercompany discussions has been well covered elsewhere.¹ It is, however, interesting to observe how the United States Government interpreted and reacted to British Government policy.

There can be no doubt that the State Department was decidedly suspicious of British intentions, and was unprepared to accept at face value the assurances of Sir John Cadman² that the policy Whitehall was now following was one of compromise and co-operation. In order to test the extent to which the British Government had embraced a conciliatory policy, Ambassador Harvey was instructed to make informal enquiries as to whether the restrictive regulations in India and Trinidad had been relaxed.³ Nor was it the intention of the State Department to relax its vigilance in Iraq where, as ever, it continued to be alert for possible British double dealing. Thus, it specifically requested

1. See, for example, DeNovo, American Interests, pp.187-195; and Hogan, Informal Detente.

2. Memoranda of conversations between Sir John Cadman and F.M. Dearing, 23 December 1921, and Cadman and Millspaugh, 16 January 1922, 841.6363/188 and 203, R.G.59, N.A., M580/147. Both conversations took place during Cadman's visit to the United States to discuss with Jersey Standard the possibility of a joint enterprise in Persia.

3. Hughes to Harvey, 31 March 1922, 841.6363/209A, R.G.59, N.A.

permission of the Foreign Office for a party of American geologists to visit Iraq; the expected reply, that no surveying was permitted, whatever the nationality of the companies involved, was met by informal representations made on the basis of rumours that an Anglo-Persian geologist had been active in parts of Iraq.¹ The State Department was also disquietened by reports of prospecting in the transferred territories, even when the unusual legal status of that area was explained by the British.² Undoubtedly this, together with the British failure to reply to the American note of 17 November 1921,³ considerably worried the State Department, especially during the interval between Cadman's visit to the United States, and the opening of commercial negotiations in London in July 1922.

Given the predisposition of the State Department to suspect British duplicity, it is hardly surprising that during the commercial negotiations the Department refused to depart from its expressed opinion on the open door and the invalidity of the TPC's 'concession'. Nonetheless, it was also anxious to avoid being placed in the invidious position of denying to American

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1. The activities of the Anglo-Persian geologist were apparently confined to the transferred territories. See Hughes to U.S. Embassy, London, 30 January 1922 and 14 March 1922, both on 890G.6363/60; Harvey to U.S. Secretary of State, 4 April 1922, 890G.6363/89; Memo by Millspaugh, 890G.6363/94; Hughes to U.S. Embassy, London, and U.S. Embassy, London, to U.S. Secretary of State, 13 April 1922, both on 890G.6363/89; Hughes to U.S. Embassy, London, 2 May 1922, 890G.6363/92; and U.S. Embassy, London, to U.S. Secretary of State, 30 June 1922, 890G.6363/121, all on R.G.59, N.A., M722/23.
 2. Correspondence between Owens, U.S. Consul in Baghdad, and State Department, May 1922, on 890G.6363T84/37 and 38; Memo by Millspaugh, 9 May 1922, 890G.6363T84/57; and Hughes to U.S. Embassy, London, 24 May 1922, 890G.6363T84/37, all in R.G.59, N.A., M722/23.
 3. Hughes to U.S. Embassy, London, 2 May 1922, 890G.6363/92, R.G.59, N.A., M722/23.

companies the very participation in the Iraq oilfields that it had attempted to safeguard. Although as late as 24 October 1921, the State Department held the view that

...no American interests would seriously consider the acceptance of a minority share in the Turkish Petroleum Company or any dealing involving that company that would imply recognition of the validity of its monopolistic claim in Mesopotamia.¹

a month later, by which time American companies were seriously contemplating negotiations with the TPC, Millspaugh in a conversation with company representatives

...stated that it was my opinion that if the American group were to arrive at an amicable arrangement with the Anglo-Persian Oil Company so that American interests could apply for and receive a fair concession in Mesopotamia, say 25 per cent, the Government would probably have no objection. 2

He did, however, reiterate that the Government could not countenance any arrangement that entailed the recognition of the TPC's claim. The State Department took, in fact, an equivocal stance. It insisted upon the preservation of the 'open door' and equal economic opportunity, yet was unprepared to prevent American companies seeking a compromise solution. It was also well aware of the weakness of the American position; Millspaugh rejected suggestions by Hoover that there should be an international conference on the subject of Iraq oil, arguing that 'It must be recognized that American interests have no actual claims in Mesopotamia which are threatened'; and pointing out that if such a conference were held, Italy and Japan would almost certainly

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1. F.M. Dearing to Ellis Loring Dreisel, U.S. Commission, Berlin, 24 October 1921, 890G.6363/45, R.G.59, N.A., M722/23.
 2. Memorandum by Millspaugh, 26 November 1921, 890G.6363/76, R.G.59, N.A., M722/23.

demand a share of the oil, a demand that the United States could not oppose.¹

In essence, therefore, the State Department preserved a neutral attitude towards the commercial negotiations, informing the companies that whilst it raised no objections to the idea of company co-operation, it would not commit itself in advance to any particular scheme.² The American Group continued to consult the Department at every step, however, and finally, in August 1922, Secretary of State Hughes informed W.C. Teagle of Jersey Standard:

I desire to state that if, as you have indicated to me, all interested American oil companies have been invited to participate..., if a fair and equitable share in this development is accorded to American interests, and if there is no attempt to establish a monopoly in favour of the Turkish Petroleum Company, or any other company or interests, the Department would not consider that the arrangement contemplated...is contrary to the spirit of the Open Door policy. 3

This, however, was as far as the Department was prepared to go. In December 1922, the American Group approached the State Department to request its acquiescence in the commercial settlement, only to be immediately rejected.⁴ Earlier requests from the companies for the assistance of the United States Ambassador in London had also been turned down, on the grounds of non-

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1. Memo by Millspaugh, 29 April 1922, 890G.6363/181; and Hughes to Hoover, 2 May 1922, 890G.6363/96, both in R.G.59, N.A., M722/23. Hoover was extremely enthusiastic to promote the proposed commercial settlement. Hoover to Hughes, 14 July 1922, 890G.6363/125, R.G.59, N.A., M722/23; and same to same, 19 August 1922, 890G.6363T84/47, R.G.59, N.A., M722/24.
 2. Memo by Millspaugh of a conversation with Dearing and Wellman, 10 March 1922, 890G.6363/175, R.G.59, N.A., M722/23.
 3. Hughes to Teagle, 22 August 1922, 890G.6363T84/41a, R.G.59, N.A., M722/24.
 4. Teagle to U.S. Secretary of State, 13 December 1922, and U.S. Secretary of State to Teagle, 15 December 1922, 890G.6363T84/62, R.G.59, N.A., M722/24; and U.S. Secretary of State to Teagle, 30 December 1922, 890G.6363/169, R.G.59, N.A., M722/23.

interference in commercial matters.¹ The State Department was, of course, hardly likely to renege its hitherto intransigent position on the TPC, a stand reinforced by the changing situation in Turkey and the conflicting Chester claims. In addition, however, the United States had reason to suspect that Great Britain was attempting to use the negotiations then in progress at Lausanne to reinforce the claims of the TPC. With the rejection by the United States of the projected commercial compromise, the subject of Iraq oil re-entered the diplomatic lists, and was to affect considerably relationships between the British and American delegations at Lausanne.

The Lausanne Conference was in session from 20 November 1922 until 24 July 1923, with a prolonged interruption in negotiations from 4 February 1923 until 23 April.² There has been considerable controversy as to the significance of oil in the Lausanne deliberations, the participants hotly denying that it played any part, whilst historians, notably Mejcher, have since demonstrated that its role was considerable. To a large extent, this was as a consequence of the fluid situation created by the State Department's refusal to countenance the TPC compromise, and the unbending insistence of its representatives at Lausanne upon the 'open door'. Meanwhile, the British delegation was anxious, firstly to ensure that the strategically significant vilayet of Mosul, and its potentially valuable oil-fields, remained within Iraq; and secondly, to so draft the

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1. Teagle to U.S. Secretary of State, 29 November 1922, 890G.6363T84/66, R.G.59, N.A., M722/24.
 2. The Lausanne Conference, and particularly the role that oil played in its deliberations, is covered in a number of sources. See, in particular, Davis, British Oil Policy, pp.197-217; Mejcher, Imperial Quest, ch.5; and DeNovo, American Interests, pp.128-165 and 191-196. Good collections of documents can be found in For. Rel. 1923 Vol.II, and D.B.F.P., 1st Series, Vol.18.

Treaty terms that the TPC concession would be confirmed no matter who held Mosul. However, whilst Great Britain was successful in postponing consideration of the first question, on the second, the Americans and Turks in combination were able to thwart her.

The United States had, of course, never been at war with the Ottoman Empire, and hence, one might assume, had no reason to be represented at Lausanne. However, the new treaty, ostensibly a re-negotiation of the Treaty of Sevres, was also designed to settle Allied relations with the new, Nationalist, Turkey, and thus would tackle issues such as the capitulations, the protection of foreigners and internal minorities - and, of course, economic rights and concessions - which clearly affected American interests. Even before the convening of the Lausanne conference, the victories of Ataturk, the Nationalist leader, during 1922 had demonstrated that a re-negotiation of the Treaty of Sevres was inevitable, and had alerted United States Government departments to the importance of safeguarding American interests.¹ With the reopening of the peace conference, the United States, though reiterating its unwillingness to assume any obligations in the Middle East, was determined to preserve its rights, both in the new Turkey and the successor states. On 30 October 1922, therefore, the American Government sent an aide-memoire to Britain, France and Italy, stating that whilst it did not desire to participate in the peace negotiations, nor assume any responsibility for the decisions taken at Lausanne, it nonetheless insisted that its interests be considered equally with those of the Allies, and, in particular, it desired to see the maintenance of capitulations

1. Hoover to Hughes, 20 February 1922, and Hughes to Hoover, 15 March 1922, 449.0 Discrimination, B.F.D.C., R.G.151, N.A.; correspondence on file 449.0 Turkey General 1920-26, B.F.D.C., R.G.151, N.A.; and A.W. Dulles, U.S. Embassy, Constantinople, to A.C. Millspaugh, 21 February 1922, 890G.6363T84/31, R.G.59, N.A., M722/24.

and equality for all in commercial enterprises.¹ In order to obtain these objectives, the United States proceeded to send a team of 'observers' to the conference.

These observers were to prove particularly zealous in safeguarding freedom of access to oil concessions - and with good reason. Whilst the State Department was well aware of the weakness of the single American claim to the oil resources of Iraq (that of the Chester group),² it had nonetheless been informed by the Turks that they desired to see substantial American participation in the exploitation of Turkish mineral resources - including Mosul, if that vilayet reverted to Turkey.³ Meanwhile, the American observers at Lausanne were gaining the impression that the British, in their anxiety to retain the oil concession, might give up Mosul in exchange.⁴ On 25 November 1922, therefore, Ambassador Richard Washburn Child, head of the American delegation, made a strong speech insisting upon the 'open door', whilst on 27 November the State Department sent to its mission very detailed instructions on the TPC and oil questions. Above all, the United States Government wished to make it plain that it would demand the 'open door' and equal opportunity for Americans in Mosul, whoever obtained it, on the grounds of the American role in securing victory over the Central Powers. However, Hughes also wished to avoid charges of subterfuge:

1. Hurewitz, II, pp.114-5.

2. Memo from C. Van Engert, Division of Near Eastern Affairs to Harrison, 22 November 1922, 890G.6363/172, R.G.59, N.A., M722/23. The Chester project is discussed in detail in DeNovo, American Interests, ch.7.

3. American Mission, Lausanne, to U.S. Secretary of State, 22 November 1922, 890G.6363/189, R.G.59, N.A., M722/23.

4. American Mission, Lausanne, to State Department, 24 November 1922, Folder 77, E108 and Folder 24, E108, both in State Department, Records of International Conferences, Record Group 43, National Archives (hereafter R.G.43, N.A.).

Realising the delicate nature of oil questions and the fact that Turks may try to use them to start dissension among the powers represented at Lausanne, you should deal with openness and candor [sic]. We have nothing to hide. We desire no secret arrangements for ourselves and expect none on the part of others. 1

It was, however, rapidly becoming apparent that, in order to retain physical control of the Mosul oilfields, Great Britain was prepared to make concessions to the Turks and, if need be, the Italians, possibly by the grant of a shareholding in the TPC.² The Foreign Office was well aware that, if Mosul reverted to the Turks, the Turkish Government would almost certainly refuse to ratify concessions that were still incomplete, unless such a ratification was actually stipulated as one of the conditions to the reversion of Mosul - a condition the Turks were unlikely to accept.³ A dual strategy was therefore adopted, of attempting to retain Mosul for Iraq, whilst at the same time trying to 'buy off' the Turks with shares in the TPC. In addition, an attempt was made to draft the economic clauses of the Treaty so that the rights of the TPC would be confirmed, whoever held Mosul.⁴ This, together with rumours of an agreement between Great Britain and Turkey, whereby most of Mosul would be ceded to Turkey in return

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1. Hughes to American Mission, Lausanne, 27 November 1922, 890G.6363/156, R.G.59, N.A., M722/23.
 2. Curzon to Foreign Office, 1 December 1922, D.B.F.P., 1st Series, Vol.18, pp.354-6. The anxiety of the British Government to retain physical control of the Mosul oilfields is discussed in Mejcher, Imperial Quest, ch.5.
 3. Minutes by Weakley, 15 November 1922, and G. Malkin, 17 January 1923, on E12597/132/65, F.O.371/7786.
 4. See correspondence and memoranda in E108, R.G.43, N.A., especially Department of State to American Mission, Lausanne, Folder 24, E108, R.G.43, N.A.; and American Mission, Lausanne, to U.S. Secretary of State, 9 January 1923, 890G.6363/196, R.G.59, N.A., M722/23.

for important oil and railway concessions, strengthened the State Department's determination to insist upon the open door.¹ Additionally, reports were being received from Baghdad that the Iraq Government, if free to choose, would favour American concessionaires.² At this point, however, the conference broke up in the face of Allied disunity and Turkish intransigence.

On the whole, relationships between the British and American delegations during the first phase of the conference had been fairly amicable, although the United States had insisted rigidly upon the open door, and had, of course, evaded British attempts to secure its support in the preservation of Mosul and the TPC concession by rejecting the London commercial agreement. However, that rejection came as no surprise to Foreign Office officials; and, despite the State Department's neutrality, the American Group still proceeded to tidy up loose ends during the spring of 1923, preparatory to taking up its minority shareholding in the TPC. The Foreign Office had, therefore, no particular reason to resent American activity during the first phase of the Lausanne Conference,³ although Curzon felt that there was no need for the United States to be represented when the Conference reopened in April 1923.⁴

However, there was to be a significant difference between the first and second phases. In the interim, on 9 April 1922,

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1. Hughes to American Mission, Lausanne, 10 January 1923, Folder 24, E108, R.G.43, N.A.; and American Mission to U.S. Secretary of State, 21 January 1923, 890G.6363/206, R.G.59, N.A., M722/23.
 2. Owens to U.S. Secretary of State, 19 January 1923, 890G.6363/214, R.G.59, N.A., M722/24.
 3. Curzon to Geddes, 9 February 1923, D.B.F.P., 1st Series, Vol.18, pp.521-2.
 4. Various correspondence, D.B.F.P., 1st Series, Vol.18, pp.677-8, 680-1, and 683.

the Turkish Assembly had approved a new concession to the Chester group, now re-named the Ottoman-American Development Corporation. This concession conflicted with French claims and additionally covered the disputed area of Mosul, thus making it inevitable that international dissension would result. Whereas hitherto the State Department had concluded that Chester had no legally valid rights preceding the war - or, at least, none that were more convincing than those of the TPC - the 1923 concession would certainly be valid should Mosul revert to Turkey. The Department therefore decided to adopt a posture of strict neutrality as between the conflicting American interests.¹

Although it rapidly became apparent, to both the State Department and the Turks, that the Ottoman-American Development Corporation had severe internal difficulties,² the American Mission at Lausanne was nevertheless instructed to ensure that the economic clauses of the Treaty did not contradict the expressed United States position. This was all the more significant in view of Great Britain's attempt during this second phase to incorporate into the Concessions Protocol a clause specifically validating the TPC claim. During June and July, as United States suspicions of British motives increased, the American representatives at Lausanne encouraged the Turks to reject the Concessions Protocol.³ Matters came to a head at a

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1. Memo by Dulles (Near Eastern Division) to U.S. Secretary of State, 14 April 1923, 890G.6363T84/100, R.G.59, N.A., M722/24.
 2. Correspondence and memoranda, Folder 126, E114, R.G.43, especially Hughes to American Mission, Lausanne, 16 May 1923, and American Mission, Lausanne, to Department of State, 23 May 1923.
 3. Department of State to American Mission, Lausanne, 5 July 1923, Folder 24, E114, R.G.43; and memo by Grew of a conversation with Ismet Pasha, 8 July 1923, Folder 55, E114, R.G.43.

private meeting of British, French, Italian and Turkish delegates on 9 July 1922, and thereafter no draft could be unanimously approved, largely, the British suspected, because the Turks were supported by the United States, and were also concerned lest any recognition of the TPC's rights expose the Turkish Government to claims for compensation by the Chester group.¹

Certainly, it is clearly apparent that, not only did the American delegation make a formal - and firm - reservation on the concessions protocol (in particular the TPC validation),² but the American representatives, especially Joseph Grew, informally encouraged the Turks to resist the Allies:

During the last five days I have been repeatedly with Ismet no less than with the Allies in order to leave no shadow of doubt in their minds as to the force of our opposition to the objectionable features in the protocol on concessions.³

Eventually, in order to obtain the signature of the Treaty, the Allies agreed to the dropping of the objectionable clauses from the Concessions Protocol. This was despite Rumbold's confident opinion that

If they [the Americans] show their hand by objecting to manner in which particular case of Turkish petroleum company [sic] is being dealt with we can say we had satisfied ourselves that no rival American interest is involved. We have, I hope, got well to windward of them. 4

Although Rumbold, as head of the British delegation, made a point of stating categorically that the British Government regarded

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1. Minute by Clauson (British economic expert at Lausanne Conference), 20 August 1923, on C.O.732/11/42870.
 2. U.S. Secretary of State to American Mission, Lausanne, 10 July 1923, 890G.6363T84/105, R.G.59, N.A., M722/24.
 3. American Mission, Lausanne, to Department of State, 16 July 1923, Folder 24, E114, R.G.43, N.A. Ismet Pasha headed the Turkish delegation.
 4. Rumbold to Foreign Office, 9 July 1923, E7116/1/44, F.O.371/9064.

all the obligations undertaken by the Ottoman Government before 1914 as binding upon the Turkish Government in any territory remaining to Turkey, and would not recognize any conflicting rights alleged to have been granted by the Turkish Government to a third party,¹ the Foreign Office, especially Lord Curzon, was furious at his surrender to Turkish pressure. Curzon acidly informed him that 'I object very strongly to additional validity given to Chester concession by our surrender'.²

This blow to British hopes was largely due to United States opposition. The members of the American Mission were not slow to claim credit:

No mention is made in treaty or attached documents regarding Turkish Petroleum Company nor is there a provision validating any pre-war inchoate concession or giving persons or companies claiming such concessions any priority rights on concessions which Turkey may grant in the future. The elimination from the treaty of all objectionable provisions relating to concessions has thus been accomplished.³

The British, too, shared the opinion that the Americans were to blame. Foreign Office minutes are particularly bitter, hypothesizing that the United States Government was convinced that Mosul would revert to Turkey. This would result in a conflict between the Chester rights and the TPC claims, unless the United States had first eliminated the TPC.⁴ To the Foreign Office, more worrying still was the possibility that the Americans might endeavour to secure Mosul for the Turks:

1. Rumbold to Foreign Office, 17 and 19 July 1923, D.B.F.P., 1st Series, pp.955-969.

2. Curzon to Rumbold, 18 July 1923, D.B.F.P., 1st Series, Vol.18, p.967.

3. American Mission, Lausanne, to American Embassy, Paris, 18 July 1923, Folder 7, E114, R.G.43, N.A.

4. Minutes on E7399/E7478/1/44, F.O.371/9087.

...the Americans are at least consistent over their 'open door' principle; it now remains to be seen whether, having, as they presumably suppose, secured the prior Chester right to the Mosul oil-fields in the event of their remaining Turkish, they would proceed to work for the latter consummation of their project.¹

Lindsay probably expressed the opinion of most Foreign Office officials when, conceding that Rumbold could hardly have broken off negotiations over the oil issue, he nonetheless concluded that

The important point is the final attribution of Mosul, and so we had better concentrate our efforts on that point and defeating the American manoeuvres that will be set in play. 2

Clearly, the Foreign Office was under no illusions concerning American adherence to the 'open door', and what it meant in practice when, as happened in this case, American interests held what amounted to a monopolistic concession.³ However, although Foreign Office officials were - understandably - frustrated by American influence at Lausanne, and anxious lest the United States support the Turks in the forthcoming negotiations on Mosul, nonetheless they continued to work towards commercial co-operation between the companies, in the fond hope that, once American interests were admitted into the TPC, the State Department would cease to oppose it.⁴ This continued desire to court American participation reveals clearly the extent to which the United States was able to influence events well outside its normal sphere of influence.

1. Minute by Oliphant, 18 July 1923, E7399/1/44, F.O.371/9087.

2. Minute by Lindsay, 18 July 1923, on *ibid.*

3. Minutes by Osborne and Crowe, 25 July 1923, E7660/1/44, F.O.371/9088. Crowe clearly was not surprised by State Department support of the Chester concession.

4. Vernon (Colonial Office) to Osborne (Foreign Office), 30 June 1923, E6913/91/65, F.O.371/8994; and minute by Weakley, 22 November 1923. E10969/91/65, F.O.371/8994.

By the Treaty of Lausanne, the question of the Iraqi-Turkish boundary, if not mutually agreed upon by Great Britain and Turkey in nine months, was to be referred to the League of Nations for arbitration. Pending the resolution of this dispute, the grant and ratification of oil concessions was effectively in abeyance. American hopes of securing a stake in the Mosul oilfields, whatever its political disposition, were destroyed when the Chester group failed to begin work, as had been stipulated, in November 1923 - as a consequence of the lack of financial backing. The concession was therefore annulled by the Turkish National Assembly on 18 December 1923. Thereafter, the best hope for American exploitation of the Iraq oilfield was by participation in the TPC. Even before the Chester concession had been annulled, the State Department had decided to support the American Group seeking entry into the TPC, in view of the internal difficulties of the Ottoman-American Development Corporation.¹ It was, however, to be five years before the myriad problems besetting the TPC were finally solved, and the American Group able to take its place in a reconstituted TPC (by then operating a valid concession in a proved oilfield). The delay had been caused by the long wait for the settlement of the Mosul boundary (finally adjudicated by the International Boundary Commission of the League of Nations in December 1925); the objections of Gulbenkian to the terms of the commercial settlement; and the need for the TPC to negotiate with the Iraq Government for a new concession.² The United States Government

1. Hughes to President Coolidge, 31 October 1923, 890G.6363T84/117A, R.G.59, N.A., M722/24.

2. These are discussed in DeNovo, American Interests, pp.196-199; Davis, British Oil Policy, chs. 7-9; and Mejcher, Imperial Quest, ch. 6.

was particularly concerned by the fact that the TPC was negotiating with Iraq for a new concession agreement before the final conclusion of its discussions with the American Group.¹

During the intervening five years one major change was that, although the State Department still stood firm on the non-validity of the TPC claim and the open door,² when negotiations between the companies reached a critical point as a consequence of Gulbenkian's obstructive tactics, it was sufficiently anxious to preserve co-operation that it encouraged the United States Embassy in London to intervene informally.³ The delay in consummating American entry into the TPC also concerned the Colonial Office, aware of the Iraq Government's desire to assert its independence, and concerned lest the American Group might take advantage of any delay to apply for - and be granted - a concession on its own account.⁴ Thus, although the Foreign Office did not wish to see any concession actually issued until the Mosul question was settled (in part to retain its freedom of action to 'buy off' the Turks and Italians),⁵ when pressed by the Colonial Office it reluctantly conceded that

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1. Hughes to U.S. Consul, Baghdad, 20 September 1924, 890G.6363T84/161A; Hughes to U.S. Embassy, London, 20 September 1924, 890G.6363T84/162A; U.S. Ambassador, London, to U.S. Secretary of State, 24 September 1924, 890G.6363T84/162; and same to same, 14 October 1924, 890G.6363T84/169, all in R.G.59, N.A., M722/24.
 2. Memo by S. Phenix, Office of the Economic Adviser, to Near Eastern Division, 8 February 1924, 890G.6363T84/142, R.G.59, N.A., M722/24.
 3. Correspondence between U.S. Secretary of State and U.S. Embassy, London, 890G.6363T84/226, 229, 231, and 236, R.G.59, N.A., M722/25.
 4. Memo by Secretary of State for the Colonies on Iraq and the TPC, 23 February 1925, C.P.108(25), CAB.24/172.
 5. File 13/65, F.O.371/10082 and 10083; and minutes by Osborne and Curzon, 23 November 1923, on E10969/91/65, F.O.371/8994.

there could be an initialling of a draft agreement, so long as Mosul was not mentioned, and there was no prospecting of disputed territory.¹ Finally, on 14 March 1925, the Iraq Government signed an oil convention with the TPC, although it was not until three years later that the Americans finally joined the TPC - by which time oil had in fact been struck in Iraq.

It was to take nearly seven years for the commercial settlement of the TPC controversy, first proposed in December 1921, to materialize. During this time the United States Government remained comparatively consistent in its determination not to retract from its stated position on the TPC claim and the open door. Nonetheless, as Hughes explained to the American Group

In its support of the Open Door policy it is not this Government's desire to set up impractical and theoretical principles or to place obstacles in the way of the participation of American companies in foreign enterprises but rather to open to American companies the opportunity for such participation if they desire it. 2

The United States attempted - successfully - to combine two goals: the maintenance of her ideological stance on the one hand; and the entry of American oil companies into Iraq on the other. The State Department's refusal in December 1922 to endorse American participation in the TPC was probably inevitable, given the concurrent resuscitation of the Chester claim, and the rapidly changing events in Turkey. However, with the annulment of the Chester concession, the United States was prepared to sanction the TPC arrangement subject only to a confirmatory concession being granted by the Iraq Government.

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1. Correspondence and minutes in file 13/65, F.O.371/10082, 10083 and 10084.
 2. Hughes to Teagle, 22 August 1922, 890G.6363T84/41A, R.G.59, N.A., M722/24.

Moreover, after it emerged that Mosul would remain within Iraq, the State Department was willing to give the informal ambassadorial support that it had refused in December 1922.

What this incident demonstrates is the potential power of the United States to affect developments in the Middle East, an area far outside her usual sphere of influence. The State Department was able to delay the ratification of the Iraq mandate by the League of Nations, in an attempt to force the British Government to repudiate the TPC; whilst at Lausanne the American delegation was instrumental in securing the defeat of the concessions protocol. Thus, although the United States had never officially been at war with Turkey, and had rejected all suggestions that she might assume political responsibilities in internationally sensitive regions of the old Ottoman Empire, she was nonetheless able to harvest 'the spoils of victory'.

Within Whitehall, the transfer of administrative responsibility for Iraq to the Colonial Office was, as in the case of Palestine, to prove critical. It was that department, rather than the Foreign Office which took the initiative in suggesting that the British should admit the American Group to the TPC. Never so committed to that company's claims as was the Foreign Office, and faced with the difficulty of insisting that the Iraq Government validate the company's concession, the Colonial Office was nonetheless forced by the British Government's diplomatic correspondence with the United States to accept the necessity of including the TPC's claim in any oil strategy. Nonetheless, it saw in an amicable settlement on commercial lines between the various interested parties an opportunity to evade the whole controversy, by persuading the Iraq Government

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to give a new concession to a reconstituted TPC, whilst at the same time ensuring an abiding American interest in the peace and stability of the new Iraq.

The decision to promote a commercial compromise was taken at a time of Anglo-American rapprochement, concurrent with the Washington Conference. It should also be remembered that Socony had been permitted to proceed with its investigations in Palestine mainly on the grounds of minimizing Anglo-American friction. With hindsight, a Foreign Office official was to comment that

In order to tranquillise the U.S. Government, we welcomed the suggestion that an American oil group should be given a participation in the Turkish Petroleum Co. [sic] . 1

However, to the Colonial Office, developments in the Middle East were apparently more significant than an improvement in Anglo-American relations. Great Britain was anxious to establish an independent, friendly state of Iraq in what was, for her, a strategically important area. She also wished to ensure that a potentially significant oilfield would be developed by a company under effective British control. However, events in 1921/2 appeared to threaten both these goals, as the Kemalists swept towards Mosul, whilst internal disturbances in Iraq forced Great Britain effectively to replace the mandate by a negotiated Treaty of Alliance (eventually ratified 10 October 1922), together with the abdication of all but ultimate power to the native Arab Government. In order to develop Iraq financially, and secure British oil desiderata, it was essential

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1. Minute by James Morgan, 30 March 1927, on E1439/104/65, F.O.371/12263.
 2. British policy in Iraq is discussed in detail in Sluglett.

that the League of Nations should ratify the mandate, and that the Iraq Government should grant a concession to the TPC. The urgency of both these objectives was increased in the autumn of 1922 by the Kemalist successes, culminating in the Chanak crisis of September 1922, and by the accession to power a month later of a new government in Great Britain, pledged to the reduction of government expenditure and imperial commitments.

Yet, even if the main preoccupation of the Colonial Office was to facilitate its task in Iraq rather than, as in Palestine, to alleviate Anglo-American friction, it is striking that the policy adopted in both cases was the same - a surrender to American demands on oil. The Colonial Office was well aware that a major source of its difficulties in Iraq was United States opposition to the mandate and the TPC concession, whilst both it and the Foreign Office were perturbed at the possibility of American support for anti-British agitation in Iraq, and Turkish demands for Mosul. As 1922 progressed, it became of even greater importance to secure United States support. The frenetic attempts to influence and conclude the commercial settlement during December 1922 was almost certainly due to fears of American opposition at Lausanne. Similarly, apprehension lest the United States intervene in the Mosul boundary dispute was probably significant in prompting the British Government to continue its promotion of commercial co-operation, despite the obstructive American behaviour during Lausanne. The Foreign Office, in supporting the Colonial Office's policy initiative, was almost certainly influenced by Geddes' appeals for compromise on the oil issue. It seems, however, to have been mainly swayed by a desire to accomplish the long-delayed British goals in Iraq, and to avoid the ignominy of an arbitration award declaring the TPC claim to be invalid.

Thus, the United States Government had sufficient influence, despite its apparent isolationism, that it succeeded, yet again, in securing a reversal of British policy. This was despite the acknowledged strategic significance of Iraqi oil, and the determination throughout Whitehall to resist American demands for a share in its exploitation - a determination which had been explicitly expressed in official correspondence and minutes at the time of the Palestine compromise. This trend - of surrender to American demands in an area strategically and economically vital to Great Britain - was to continue into the period 1929-34, during which time concessions were granted for several of the British-dominated shaikhdoms in the Persian Gulf.

Chapter Six

A Renewal of Controversy: The Persian Gulf Concessions, 1927-1934

Although the potential of North Persian and Mesopotamian oil had been recognized even before the First World War, it was generally assumed that the chances of discovering commercially viable oilfields in the Arabian peninsula were slight. It was not until the 1930s and 1940s that what are now known to be the richest oil reserves in the Middle East were explored and exploited on a large scale.¹ The negotiations for the Persian Gulf and Saudi Arabian concessions therefore took place in the context of a radically changed oil business, whose main preoccupation was with the curtailment of world-wide overproduction, rather than safeguarding against a potential shortage of crude oil. This was to affect the attitudes of the several companies involved in the negotiations variously, the American companies being more anxious to obtain exclusive, long term concessions, than their British and Dutch competitors.²

By the late 1920s and early 1930s, the period of the most intensive negotiations for the Arabian oil concessions, the state of Anglo-American relations, and the attitude of the British Government towards the maintenance of a friendly relationship with

1. Brief accounts of the granting of the Arabian oil concessions can be found in several secondary sources. See, for example, Longrigg, pp.98-115; Shwadran, pp.301-323, 389-397, 407-424, and 431-433; and Davis, British Oil Policy, pp.395-417. The most detailed account is to be found in A.H.T. Chisholm, The First Kuwait Oil Concession: A Record of the Negotiations for the 1934 Agreement (London, 1975), (hereafter Chisholm). Most of this book comprises reproduced documents, with under 90 pages of text. Chisholm was the Anglo-Persian negotiator in Kuwait, and his book concentrates upon the commercial negotiations taking place in Kuwait, which this thesis does not cover.

2. See Appendix III.

the United States, had also changed somewhat since the 'era of good feeling' in 1921-2. The apparent improvement in Anglo-American relations after 1922,¹ following the resolution of the Irish question, the funding of the war debt, the solution of the Mesopotamian oil controversy, at least in principle, and the Washington Conference, which defused the two major controversies over naval rivalry and the Anglo-Japanese alliance, was to be short-lived. The British soon began to realize that the United States intended to continue her traditional policy of being vociferous in protest, yet unwilling to participate positively in international diplomacy, and resentment began to develop amongst the British intelligentsia and Foreign Office officials who felt that the United States appeared to want things both ways.²

Thus, by 1927-9, in the closing years of the Coolidge administration, relationships between the two countries were again strained, as certain long-standing sources of friction resurfaced. To a large extent, this friction tended to centre

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1. This was reflected in the later stages of the Iraq negotiations, apart from the Lausanne Conference, as discussed in Chapter 5 above. For more general expressions of this improvement in relations, see, for example, Frank Kellogg, U.S. Ambassador, London, to Charles Hughes, U.S. Secretary of State, 10 June 1924, Box 61, 'Kellogg', Hughes Papers; Frederick Hibbard, London Embassy, to W.R. Castle, 10 December 1924, Box 2, Castle Papers, H.H.P.L.; Memorandum by Austen Chamberlain of a conversation with the American Ambassador on Rubber Restriction Regulations, 12 July 1925, C.P. 364(25), CAB 24/174; and Statement made by Sir A. Chamberlain to the Imperial Conference, 20 October 1926, D.B.F.P., Series 1A, Vol.2, pp.919-958, especially p.955.
 2. Ray Atherton, U.S. Chargé, London, was particularly struck by the fact that the British were apparently less friendly towards the United States than hitherto. Ray Atherton to U.S. Secretary of State, 13 December 1927, 711.41/170, R.G.59, N.A.; and same to same, 30 January 1928, 841.00 P.R./5, R.G.59, N.A., M580/28.

around the sensitive issue of naval power. Great Britain had traditionally followed a policy of retaining world naval hegemony, through the operation of her two power standard. To the British, therefore, the acceptance of naval parity with the United States in the Washington Treaties¹ had been a major concession. The United States, however, had the undoubted financial capacity to build a navy second to none, should she so decide, and as her international trade grew in significance and geographical scope, the motive to do so seemed strong.² It is no coincidence, therefore, that when relationships between the two countries began to deteriorate, as they did from 1927 onwards, the dispute centred around naval issues. On the one hand, there was the failure of the Geneva naval disarmament conference, and the subsequent activities of the 'Big Navy' party in the United States, which sought to whip up fears of a possible Anglo-American war in order to promote the construction of a large American navy.³ On the other hand, there was the vexed issue of belligerent rights at sea in the event of another war, which Sir Austen Chamberlain regarded as the only issue which made war between the United States and Great Britain conceivable.⁴ Traditionally, Great Britain followed a policy of

1. See Chapters 2 and 5 above.

2. Note by Lord Cecil on a visit to America, 12 January 1925, C.P.14(25), CAB 24/171.

3. Foreign Office memorandum by G. Thompson, 17 November 1927, A6768/133/45, F.O.371/12041; and file 36/45 of 1928, F.O.371/12809 and 12810, in particular the minutes in May 1928 on A3195/A3438/36/45, F.O.371/12810. George Thompson of the American Department expressed the opinion that 'for our own self-preservation, we must pit our brains and political sense against the bullying brawn of America - and step with extreme care'. Minute by Thompson, 29 March 1928, on A2127/36/45, F.O.371/12810. On the failure of the Naval Disarmament Conference, see correspondence and minutes in August 1927, on A4794/A4935/133/45, F.O.371/12040.

4. Note by Sir A. Chamberlain on Belligerent Rights at Sea and the Relations between the United States and Great Britain, 26 October 1927, C.P.258(27), CAB. 24/189.

insisting upon 'high' belligerent rights: that is, the retention by belligerent nations of the greatest possible powers of blockade and seizure;¹ whilst the United States, as a long-standing neutral in European conflicts, took her stand on the principle of 'freedom of the seas'. The possibility of some kind of agreement on belligerent rights, perhaps as part of a wider arbitration agreement between the two powers, was considered in 1927 and 1928,² but came to nothing. In that year, too, the conclusion of the secret Anglo-French naval agreement angered the Americans still further.³

The Foreign Office was, by 1928-9, deeply concerned at the escalation of bad relationships between the two countries, and in a powerfully argued memorandum prepared by R.C. Craigie, the head of the American Department, urged upon the Cabinet the need for a policy of conciliation towards the United States.⁴ It was at this time that the first major potential oil controversy with the United States - the transfer of the Bahrain concession to an American company - came to the attention of the Foreign Office. Obviously with the 1919-21 'oil war' in mind, that Office moved quickly to defuse the situation, thus setting a precedent which was to continue throughout the early 1930s.

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1. For the view of the Admiralty, see memorandum on Belligerent Rights prepared at the Admiralty, 14 January 1928, C.P.309(28), CAB. 24/198.
 2. See various documents in file 133/45, 1927, in F.O.371/12040 and 12041. R. Craigie was especially anxious to see some kind of agreement. See also C.P.112(28), CAB. 24/194, C.P.179(28), CAB. 24/195 and C.P.309(28), CAB.24/198.
 3. Ray Atherton, London, to U.S. Secretary of State, 29 October 1928, 841.00 P.R./45, R.G.59, N.A., M580/28.
 4. Memorandum by R. Craigie, 12 November 1928, C.P.344(28), CAB.24/198. This memorandum is discussed in more detail in Chapter 7 below. See also C.P.358(28) and C.P.364(28), both in CAB.24/199; and C.P.10(29), CAB.24/201.

This was largely due to the continued importance, in the eyes of the Foreign Office, and especially Robert Vansittart, the Permanent Under Secretary of State¹, of keeping on good terms with the Americans. The new administrations which took office in both countries in 1929 did much to foster the improvement in relations, so much so that in retrospect the years 1929-33 were to be seen as a halcyon era of Anglo-American friendship.² Despite the fears of the Foreign Office,³ Hoover's administration did not adopt an anti-British line; indeed, Hoover's Secretary of State, Henry Stimson, was an Anglophile,⁴ and the United States Ambassador in London from February 1932, Andrew Mellon, was also regarded as being inherently pro-British,⁵ although he was to demonstrate a tendency to use - some would say, abuse - his official position in order to safeguard the Gulf Oil Company, one of his many business interests. The new Labour Government in Great Britain,

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1. Ian Colvin, Vansittart in Office: An Historical Survey of the Origins of the Second World War based on the papers of Sir Robert Vansittart Permanent Under-Secretary of State for Foreign Affairs 1930-38 (London, 1965), pp.23-27.
 2. Briefing Book, State Department, Western Europe (G.B.), 25 February 1933, Folder 7, Series No.VI, Box 239, Group No.465, Stimson papers, Yale; and Memorandum by Sir John Simon, Secretary of State for Foreign Affairs, on Imperial Defence Policy, 16 March 1934, C.P.80(34), CAB.24/248.
 3. During the 1920s, Hoover's policies as Secretary of State for Commerce had earned him a reputation for being anti-British. Minutes by R.L. Campbell and R. Vansittart, February 1925, on A795/128/45, F.O.371/12038; Minute by R. Craigie, 9 May 1927, on A2617/128/45, F.O.371/12038; and correspondence and minutes, August 1927, A4793/128/45, F.O.371/12039. Sir Esme Howard, British Ambassador, Washington, did not share this opinion. Sir E. Howard, Washington, to R. Craigie, 14 September 1927, A5583/128/45, F.O.371/12039.
 4. Stimson Diaries, entries for 10 April 1931, Vol.15, p.234, and 9 June 1931, Vol.16, p.139, Stimson papers, Yale; and various documents on 711.41 file, especially documents 253 and 255, R.G.59, N.A.
 5. Vansittart minuted that Mellon was 'a very charming gentle (and pro-British) old man'. Minute by Vansittart, 16 February 1927, on A936/128/45, F.O.371/12038.

especially its Prime Minister and Foreign Secretary, Ramsay MacDonald, was also much more inclined to encourage and work for the friendship of the United States than had been its predecessor,¹ not least because its foreign policy did not include the rigid defence of high belligerent rights.² So, despite the thorny issues of war debts, exacerbated by world-wide economic depression,³ and the Far Eastern crisis,⁴ both of which threatened the continuance of Anglo-American friendship, the relationship on the whole remained good. To a large extent, however, this was as a result of the determined attempt by Foreign Office officials to minimize potential sources of friction which, in their eyes at least, made the avoidance of any new 'oil war' vital.

This atmosphere of conciliation was to change rapidly with the arrival in office in March 1933 of President Roosevelt's Democratic

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1. J. Ramsay MacDonald to Sir John Simon, 3 June 1932, Simon papers, F.O.800/287.
 2. Memorandum by Lord Parmoor, Lord President of the Council, on Belligerent Rights, 6 November 1929, C.P.310(29), CAB.24/206.
 3. Benjamin D. Rhodes, 'Herbert Hoover and the War Debts, 1919-33', Prologue 6 (1974), pp.137-40, discussed the extent to which Hoover's desire to follow a conciliatory policy was thwarted, first by Congress and public opinion, then by his electoral defeat. There are many British Cabinet papers on the war debts question.
 4. Robert A. Hecht, 'Great Britain and the Stimson Note of January 7 1932', Pacific Historical Review 38 (1969), pp.177-191; and Richard N. Current, 'The Stimson Doctrine and the Hoover Doctrine', American Historical Review LIX (1954), pp.513-542. The United States was anxious that Great Britain should work with them. R.C. Lindsay, British Ambassador, Washington, to U.S. Secretary of State, 3 March 1932, Simon papers, F.O.800/286; Gerald E. Wheeler, 'Isolated Japan: Anglo-American Diplomatic Cooperation, 1927-1936', Pacific Historical Review 30 (1961), pp.165-178. It is, however, noticeable that by late 1933 the Foreign Office was beginning to feel that in their handling of the Far Eastern issue, it was not worth sacrificing Japanese friendship, as it could not be sure of U.S. friendship. Minute by Sir R. Vansittart, 15 December 1933, on A9235/252/45, F.O.371/16612.

administration. The torpedoing of the World Economic Conference, the attitude towards war debts, and the withdrawal into isolationism,¹ tempered only by an aggressive economic internationalism that was to clash with British trade hopes, led to an intense feeling of irritation amongst the British Foreign Office officials,² affecting even Vansittart, who commented

The U.S.A. [sic] will always disappoint us... we have done quite enough running after them, and should do no more; advances must now come from them...our...relations with the U.S.A. [sic]...are as good as that unreliable country will or can allow them to be.

He made it plain that, in his eyes at least, the era of 'running after' the Americans was over: it was time that the promotion of good Anglo-American relations became a two-way effort.³ It was perhaps fortunate - for the American oil companies - that pledges had already been made to the United States Government which the British Government felt bound to honour; and that by the time British exasperation with the United States was at its height, a solution was already close in the Kuwait controversy. Something of the new sense of irritation can be seen in later oil negotiations. Whilst the Foreign Office was still anxious that Great Britain should not overtly discriminate against American interests, it was nonetheless prepared actively to assist British companies to a far greater extent than it had hitherto found acceptable. However, in view of the worsening situation in Europe, and the world economic

1. D.G. Osborne, British Embassy, Washington, to Secretary of State for Foreign Affairs, 27 August 1933, A6330/252/45, F.O.371/16612.
2. Foreign Office memorandum by Mr. Gore-Booth, 26 September 1934, A8038/2280/45, F.O.371/17603.
3. Minute by Sir R. Vansittart, 15 December 1933, on A9235/252/45, F.O.371/16612; minute by Vansittart, 5 February 1934, on A785/785/45, F.O.371/17593, in which he expressed his opinion 'that we have been too tender, not to say subservient, with the U.S. for a long time past'; and Vansittart to Ronald Lindsay, 24 September 1934, A9942/2280/45, F.O.371/17603.

depression, the Foreign Office, though no longer so active in promoting good Anglo-American relations, could not afford gratuitously to rupture them.¹

The general diplomatic background of the period 1927-1934 undoubtedly helps explain why American oil companies were to be successful in so much of the Arabian peninsula, despite the undoubted political pre-eminence there of Great Britain. However, the possible admittance of American interests was to promote serious interdepartmental controversy in Whitehall; both the Colonial Office and the India Office, the departments actually responsible for the conduct of British policy in the Persian Gulf area, were anxious to exclude American companies from the region, and it was only as a consequence of persistent and determined Foreign Office insistence that the door was opened to United States enterprise.

Colonial Office policy² towards the Persian Gulf shaikhdoms was thus almost the complete antithesis of that followed in Palestine and Iraq, where it had been at the instance of the Colonial Office, rather than the Foreign Office, that a conciliatory attitude had been adopted towards United States Government protests and support of its nationals. Instead, the Colonial Office chose to follow - or, rather, attempt to follow - the restrictive leasing policy in operation in Trinidad and other

1. Thus, for example, even in June 1933, Sir John Simon could still speak of it being 'a time when friendly relations between ourselves and the Americans are of supreme importance'. Sir John Simon to Lord Derby, 13 June 1933, Simon papers, F.O.800/288.

2. At the recommendation of the Masterton-Smith Committee, the Colonial Office assumed responsibility for political relations with the Persian Gulf shaikhdoms on 1 March 1921, although these relations continued to be administered by the Government of India's Political Resident at Bushire and Political Agents. See Appendix II, Section C.

Crown Colonies, by implementing the British control clause and, in negotiations with the interested companies, by attempting - vainly - to impose the Admiralty clauses.¹ This change in policy was probably due to a number of factors. One of the most significant was that, whereas in the mandated territories, Great Britain was bound by the terms of the mandate not to exercise her power so as to benefit her own nationals, in much of the Arabian peninsula her position was far stronger. First and foremost, she was not committed to observe the 'open door'. Indeed, the Shaikhs of Bahrain and Kuwait were virtual dependents of Great Britain², and had, prior to the First World War, pledged to grant oil concessions to no company or individual without the prior consent of His Majesty's Government.³ Thus, in direct antithesis to the situation pertaining in the mandated territories, the Colonial Office had clear powers on which it could base any demand for the exclusion of foreign interests from the oilfields of the Persian Gulf. Kuwait was of special significance, since it had been excluded from the Foreign Office Agreement of March

1. This is discussed further in Appendix IV below.

2. They had accepted this position in a series of treaties, by which they had agreed to abstain from entering into negotiations or making treaties of any sort with any other state or government, to allow any other government to establish diplomatic or consular agencies, or to cede, sell, mortgage or otherwise give for occupation any part of their territory without the permission of the British Government. Agreement between Great Britain and the Shaikh of Bahrain, 22 December 1880, Hurewitz, I, p.194; Exclusive Agreement between Great Britain and the Shaikh of Bahrain, 13 March 1892, Hurewitz, I, p.209; and Exclusive Agreement between the Shaikh of Kuwait and Great Britain, 23 January 1899, Hurewitz, I, pp.218-9.

3. Agreements with the Shaikh of Kuwait, 27 October 1913, and the Shaikh of Bahrain, 14 May 1914, Hurewitz, I, pp.272-3.

1914, and hence from the Red Line Agreement of 1928.¹ This made it possible for individual members of the Iraq Petroleum Company (IPC)² consortium to hold concessions in Kuwait without being obliged to transfer them to the IPC.

The way therefore seemed open for the Colonial Office to adopt the policy followed in the Crown Colonies. This development seemed especially probable, since by this later period, those in charge of Middle Eastern affairs within the Office had, for the most part, gained their experience in colonial administration, rather than specifically in Middle Eastern affairs. Their attitude was to be of great significance, for it was the Colonial Office which conducted most of the negotiations with the companies involved - at least until 1 August 1933, on which date the India Office reassumed responsibility for Persian Gulf affairs. This was due to a combination of fortuitous circumstances, not least that the Eastern and General Syndicate³, the company principally involved in the negotiations, had no links with the Foreign Office or Petroleum Department - unlike Anglo-Persian. Hence, the

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1. The Red Line Agreement of the IPC, 31 July 1928, Hurewitz, II, pp.161-177.
 2. The Turkish Petroleum Company had changed its name to the Iraq Petroleum Company in 1927, and will be referred to as such throughout this chapter.
 3. The Eastern and General Syndicate was not a major oil company - indeed, it was not an oil company, as such, at all. It was incorporated in London in 1920, with an authorized capital of £50,300, to deal with concessions, options and general business in Arabia. Its principal shareholders were The Chartered and General Exploration and Finance Company Ltd., Allen and Hanburys Ltd. (pharmaceutical chemists), and Mr. B.M. Messa (an Aden merchant). This meant that, in the event of a concession being obtained, the Syndicate was unlikely to be in a position to exploit it itself, but would have to dispose of its interests to a larger, established oil company.

Syndicate conducted its correspondence with His Majesty's Government through the Colonial Office, as did the Political Agents in Kuwait and Bahrain, and the Political Resident at Bushire. The Colonial Office thus became the major source of information within Whitehall on the company's intentions, and the Shaikh's opinions. Foreign Office involvement, though decisive, was less pervasive than in the cases of Palestine and Iraq, in large part because of the comparative simplicity of the international complications involved.

In its attempts, first to exclude American interests altogether, and then to limit the extent of American involvement, the Colonial Office was strongly supported by the India Office and the Government of India. Their attitude was largely dictated by an attempt to retain Great Britain's traditional power and position within the Persian Gulf. Although the Gulf states, including Kuwait (but excluding Bahrain) had recognized the formal suzerainty of the Ottoman Sultan until 1918, they had in fact fallen increasingly under the influence and authority of British India throughout the nineteenth century. British and Indian interests had been primarily maritime in nature, aimed at safeguarding the western approaches to India, and represented by the imposition of the so-called 'Maritime Truce' and a prolonged campaign against endemic piracy and slavery.¹ However, in the later nineteenth century, a determined stand was taken against Russian and German attempts to expand their political influence into the Gulf.² In the face of these threats, the Government of

1. J.B. Kelly, 'The Legal and Historical Basis of the British Position in the Persian Gulf', St. Antony's Papers 4 (Middle Eastern Affairs No.1), pp.120-137; and General Treaty for Suppressing Piracy and the Slave Trade between Great Britain and the Arab tribes in the Persian Gulf, 8 January 1820, Hurewitz, I, pp.88-90.

2. Kazemzadeh, pp.3-20 and 62-98.

India extended its authority actually into the petty shaikhdoms along the Arabian littoral of the Gulf, securing promises that in effect prevented their rulers from receiving foreign consuls, alienating territory, or even conducting their own foreign relations except with the acquiescence of the British Government. These agreements were enforced by Indian appointed Political Agents, and emphasized by frequent displays of potential force.

With the breakup of the Ottoman Empire in 1918, and the surrender of its formal suzerainty over the Gulf shaikhdoms, even this weak threat to British hegemony was removed, and it was assumed in Whitehall that British pre-eminence in the Persian Gulf would continue unchallenged, not least because Russia and Germany were no longer able to rival British influence. In the Peace Handbooks drawn up by the Foreign Office for the Versailles Peace Conference, it was stated that 'it is imperative that...Great Britain should continue, as hitherto, to perform her especial duties and to retain complete ascendancy in the Persian Gulf'.¹ During the war, indeed, the India Office had extended its influence further into the hinterland of Arabia, subsidizing ibn Saud and, initially, attempting to bring him under its political control, although by 1927 Saud had asserted his complete independence.² There was, therefore, every reason for the India Office and the Government of India to believe that they could continue to view the Persian Gulf as completely under their control, although, with hindsight, George Rendel, head of the Eastern Department of the Foreign Office, was to condemn them for their shortsightedness:

1. Foreign Office, Peace Handbooks: No.81 Persian Gulf, (London, 1919), p.78.

2. The changing relationship between ibn Saud and Great Britain is discussed in Gary Troeller, The Birth of Saudi Arabia: Britain and the Rise of the House of Sa'ud (London, 1976).

The Government of India found it difficult to believe that any of the recent internal changes in the Middle East could be permanent.they long hoped to be able to go on running the Persian Gulf under a virtual Governor precariously established on almost hostile Persian soil. When we at the Foreign Office insisted on the impracticability of this they were inclined...to think us defeatist. 1

In this bid to retain dominance over the Gulf region, it was realized that foreign commercial interests, if established on a sufficiently large scale, could rapidly lead to the introduction of the foreign political influence India so feared. Having circumvented the threat of a massive German presence in Kuwait, the suggested Gulf terminus of the Baghdad Railway, the British had apparently little reason for concern. Apart from Bahrain's pearling industry, and Kuwait's excellent harbour, there was little in the economically backward Gulf shaikhdoms ² to attract Western capital until the advent of oil exploration - and with it the representatives and wealth of some of the most powerful and feared multinational combines. The political influence and interference of American oil companies in Latin America, particularly during the turmoil of post-revolutionary Mexico, offered a frightening example of what might happen in the hitherto placid Gulf where British supremacy had only once been seriously challenged.³ Only by the substitution of British for American capital could the worst effects of a Persian Gulf oil industry be averted.

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1. Sir George Rendel, The Sword and the Olive: Recollections of Diplomacy and the Foreign Service 1913-1954 (London, 1957), p.62. It is, however, interesting that as late as 1926, the Foreign Office supported the importance of maintaining the paramount position of Great Britain in the Persian Gulf. Memorandum on the Foreign Policy of His Majesty's Government, with a list of British commitments in relative order of importance, 10 April 1926, D.B.F.P., Series 1A, Vol.1, p.861.
 2. Foreign Office, Peace Handbooks: No.90 Arabia (London, 1919), pp.33-38, 45-6 and 118.
 3. That is, by the German Baghdad Railway scheme.

Until the later part of 1928, however, the question of American participation in the exploitation of Persian Gulf oilfields had not been mooted. This is not to say that American oil companies - and the State Department - had taken no interest in Persian Gulf oil. However, this interest was bound to be limited, for not only were conditions in much of Arabia so unstable as to render even negotiations for concessions, let alone geological surveys, uncertain, if not openly dangerous, but the State Department lacked regular and reliable information as a result of its limited representation in the Arabian peninsula.¹ It was through the consuls at Aden and Muscat and, after 1919, the consul at Baghdad, that reports reached the State Department; this information was usually second-hand, and came either from the American missionaries (a constant source of information throughout the period); the interested parties themselves; or the (automatically suspect) British officials.

However, the American State Department seemed to believe that there were distinct oil possibilities in Arabia², and showed a willingness to collate information for reference to any potentially interested oil companies. This was done in the case of a report that the ruler of the Yemen was said to favour granting an oil concession to an American company.³ At the instigation of French

1. See Appendix II.

2. Military Intelligence Report on Arabia for the period March 1920-December 1921, E.102, Washington Conference, R.G.43, N.A.; and Addison Southard, Consul, Aden to U.S. Secretary of State, 15 September 1920, 890B.6363/-, R.G.59, N.A. M722/7. Both of these refer to indications of oil on both the Asiatic and African sides of the Red Sea. British Government sources, however, were apparently less sanguine, since as late as 1931 the oil potential of Arabia was being dismissed as negligible. Petroleum Department to Colonial Office, 20 January 1931, p.95 in Middle East No.32, C.O.935/3.

3. See various documents for the 1922-23 period in the 890B.6363 file, R.G.59, N.A., M722/7.

explorer, Victor Cherruan, Socony sent representatives to the Yemen, although no concession resulted.¹ The same procedure, of seeking information and relaying it to American companies, was followed by the State Department in the case of the Hejaz (1922-3); at the time, of course, Sharif Hussain still ruled that area.² So enthusiastic was the Department to promote American enterprise, that a suggestion was made that a representative should be sent to the Hejaz to report on conditions there, despite the fact that the United States had not recognized the Sharif's Government.³

As well as following up reports of possible openings for American oil companies, the State Department also showed a keen interest in all British oil activities in the Arabian peninsula, in particular the grant by ibn Saud in 1923 to the Eastern and General Syndicate of an oil concession in the Hasa province of Nejd. Its main concern was the standing of the Eastern and General Syndicate and, more particularly, whether it had any links with Anglo-Persian. Despite denials from both companies, most American consular officials seem to have assumed that such a link existed, if only because Anglo-Persian had shown so little interest in obtaining the concession.⁴ However, although the Department made vigorous attempts to tap all possible sources of information available to them, it did not actually request information from

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1. 890B.6363/4, 5 and 7, R.G.59, N.A. The Iman of Yemen was probably more concerned to secure American recognition, although the U.S. Government refused. See various documents in file 711.90J2 and also 890B.63/-, R.G.59, N.A.
 2. See file 890F.6363, R.G.59, N.A., M722/17.
 3. Internal memorandum by C. Van H. Engert, Near Eastern Division, to Mr. Bliss, 16 November 1922, 890F.01/2, R.G.59, M722/17. No representative was actually sent.
 4. See various documents for 1923/4 on 890B.6363, R.G.59, N.A.

the British Government, nor do Department officials appear to have suspected that the British had brought official pressure to bear on ibn Saud in order to gain the concession for a British firm.¹

Indeed, it does not seem that the British Government was particularly anxious to obtain oil concessions for its own nationals, although prepared to prevent (if possible) concessions falling into undesirable hands.² There seemed no particular reason for concern, however, in view of the prevalence of the opinion in British Government and oil circles that there were unlikely to be significant deposits of oil in Arabia. Even if there were, Great Britain had treaties with the Shaikhs of Kuwait, Bahrain and Qator, which gave her a legitimate method of ensuring British control of any oil deposits that might be found. In addition, until the late 1920s, the British Government exercised considerable political influence, albeit of an informal nature, over ibn Saud.

Whitehall also had the security of knowing that the two companies actively involved in pursuing Arabian concessions, Anglo-Persian and the Eastern and General Syndicate, were both British.

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1. In fact, of course, the British Government had not given any support to Holmes. M.R.P. Dickson, Kuwait and her Neighbours (London, 1956), pp.267-278; and Shwadran, pp.301-2.
 2. The Anglo-Persian, having shown a sporadic interest in Kuwait from 1911, decided in 1925 not to press on with the matter, apparently because of the difficulties raised by the British Government. Chisholm, pp.3-13, and p.90, Note 10. The trivial nature of the correspondence on the issue is shown by the fact that much of it, especially that conducted through the Colonial Office, was weeded before reaching the Public Record Office. See however Colonial Office to Anglo-Persian, 29 March 1922, Chisholm, Note 10, p.90. Anglo-Persian experienced such difficulties in agreeing terms with the Colonial Office, that in 1925 it decided to let the question of concessions for Kuwait and Bahrain drop. See Anglo-Persian memoranda between H. Nichols and Sir John Cadman, October 1925, Chisholm, p.111.

Anglo-Persian had been interested in the region as early as 1917, and had applied formally for petroleum rights in Bahrain and Kuwait, but as a consequence of the company's own belief that oil was unlikely to be found in commercial quantities, combined with half-hearted British Government assistance, the negotiations were not brought to a satisfactory conclusion.¹

In the early 1920s, the company began to show a renewed interest in Arabia, but found a new rival on the scene, the Eastern and General Syndicate, a little known company with no productive capacity or established markets. Whilst the Anglo-Persian conducted its negotiations through the Political Resident², the Syndicate, having received a concession for the Hasa district in May 1923 from ibn Saud, continued the practice of negotiating directly with the rulers.³ Benefiting in part from the Anglo-Persian's half-hearted attitude, and its unpopularity on the Persian Gulf⁴, the Syndicate was finally successful in obtaining a concession from the Shaikh of Bahrain on 2 December 1925⁵, with the concurrence of the Colonial

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1. Chisholm, pp.3-13; and Petroleum Department to Foreign Office, 5 November 1932, C.O.732/52/98026/122.
 2. Ibid. See also summary of despatches from the Political Resident to the Secretary of State for the Colonies, destroyed under statute, nos. 5537, 18976 and 25165 of 1924 in C.O.775/2.
 3. These negotiations were conducted on the spot by Major Frank Holmes (1874-1947), who had a long career of involvement in gold and tin mining, and who had been involved in the formation of the Eastern and General Syndicate.
 4. Political Resident to Secretary of State for the Colonies, 24 October 1924, destroyed under statute, entry no.54996, C.O.775/2.
 5. Political Resident to Secretary of State for the Colonies, 12 December 1925, destroyed under statute, no.343 of 1926 in C.O.775/2. For the text of the agreement, see Confidential Print, M.E. No.32, pp.1-5, in C.O.935/1. For a very brief discussion of the granting of the concession, see Davis, British Oil Policy, pp.396-401.

Office.¹ Very little interest was shown within the Colonial Office in the progress of the negotiations, since no major policy decisions were required. The fact that the only two contenders for concessions were British doubtless explains why no stipulation was made that the 1925 Bahrain concession should contain the 'British Control Clause'.

The Syndicate, however, lacked the finances to exploit the Bahrain resources, and for the next three years little progress was made with the concession; nonetheless the company continued to press its application for a similar concession in Kuwait. Attempts by the Syndicate in the Spring of 1926 to interest other British groups, notably Anglo-Persian, in the Bahrain and Hasa concessions were unsuccessful², and on 30 November 1927, therefore, the Syndicate signed two agreements with the Eastern Gulf Oil Company,³ under which the Gulf company was given the right to explore the territories covered by the Syndicate's concessions, including Bahrain, with the option of forming a British or Canadian company to work such territories.⁴ The Syndicate also undertook to use its best endeavours to obtain a concession from the Shaikh of Kuwait and to assign it to the Eastern Gulf Oil Company⁵, or a nominee of that company.

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1. Eastern and General Syndicate to Colonial Office, 19 December 1928, C.O.732/34/59115/25.
 2. Syndicate to Colonial Office, 19 December 1928, C.O.732/34/59115/25; attached documents, 890B.6363 G.O.C./2, R.G.59, N.A.; and Chisholm, pp.13-14.
 3. The Eastern Gulf Oil Company was a subsidiary of the Gulf Oil Corporation, which in 1928 became a member of the IPC, by virtue of its membership in the American consortium, the Near East Development Corporation.
 4. Syndicate to Colonial Office, 19 December 1928, enclosing copies of the agreements, C.O.732/34/59115/25.
 5. Syndicate to Colonial Office, 17 October 1930, C.O.732/45/79178/19.

No notification of the signature of these agreements was given to the Colonial Office at the time¹, and as late as July 1928, S. Robinson of the Middle Eastern Department minuted that in the opinion of Sir A.T. Wilson² there was no likelihood of the Americans showing any interest in the Bahrain concession³, a view which the Colonial Office was only too ready to accept.⁴ Interestingly, however, some consideration had been given to the means of warding off any American interest that might be shown following a despatch from the Political Resident on 2 April 1928, in which he had pointed out that under the terms of the concession, the company was not prevented from transferring the concession to an American or other foreign concessionary.⁵ Why he made this comment is not apparent but, alerted to the possible dangers, the Colonial Office instructed the Resident to advise the Shaikh that any future agreement granting, for example, a further extension of the exploration licence, should include either a draft clause on the lines of the 'British Control Clause',⁶ or, failing that, a clause on the

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1. The Colonial Office did however know that the Syndicate was negotiating with groups other than Anglo-Persian, but did not appear curious. Minute by J.H. Hall, 28 February 1927, on C.O.732/26/49070.
 2. Sir A.T. Wilson, who had been Deputy Chief Political Officer and Acting British Civil Commissioner in Mesopotamia 1915-20, retired from British Government service in 1921, and joined Anglo-Persian.
 3. Minute by Robinson, July 1928, on C.O.732/34/59115.
 4. J.H. Hall, Colonial Office, to Lord Monteagle, Foreign Office, 31 July 1928, C.O.732/34/59115/7.
 5. Political Resident to Secretary of State for the Colonies, 2 April 1928, C.O.732/34/59115/1.
 6. For a detailed discussion of the 'British Control Clause' see Appendix IV. This clause would have stipulated that the concession could only be held by a British company registered in Great Britain or a British colony, and with its principal place of business within the Dominions, and that such company should not be directly or indirectly controlled or managed by foreigners or any other foreign corporation.

lines of Article XIII of the Mining Lease of the concession,¹ which stipulated that the concession should not be transferred to a third party without the consent of the Resident, such permission not to be unreasonably withheld.²

Thus, the Colonial Office was determined to resist American encroachment in the Persian Gulf to the utmost of its ability, despite being on weak ground legally. Having given approval to the grant and terms of the Syndicate's concession, the British Government had no authority to insist upon its amendment, a fact of which Colonial Office officials were well aware.³ Nonetheless, they decided upon a policy of attempting to exclude American interests, without first consulting the Foreign Office, which was only informed of the current negotiations, by error, in June 1928.⁴ Foreign Office fears that the United States might protest at this infringement of the 'open door',⁵ were promptly dismissed by the Colonial Office, on the grounds that American interests were not involved, Hall pointing out rather sharply that in any case

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1. Under the 1925 concession the company held first an exploration licence (for 2 years, with a possible extension for a further 2 years), a prospecting licence (for the same period), and a mining lease (for 55 years). Each licence or lease was subject to different conditions.
 2. Secretary of State for the Colonies to Political Resident, 19 June 1928, C.O.732/34/59115/2.
 3. Minute by J.H. Hall, 1 July 1928, on C.O.732/34/59115.
 4. Correspondence and minutes, E3239/3239/91, F.O.371/13017. The Colonial Office regarded the sending of copies of correspondence to the Foreign Office as unfortunate. Minute by Robinson, n.d., but probably July 1928, on C.O.732/34/59115.
 5. Lord Monteagle, Foreign Office to J.H. Hall, Colonial Office, 24 July 1928, *ibid.*

I do not see that the 'open door' principle can be held to apply to Bahrein. Providentially there is no mandate for Bahrein, and we are no more committed to that inconvenient principle in Bahrein than in (say) Persia or for that matter Trinidad.¹

The complacency of the Colonial Office was, however, shattered in the October of 1928. Applying for an extension of their exploration licence for a further year,² Syndicate representatives admitted in an interview at the Colonial Office on 17 October 1928 that, having failed to secure the financial support of other British companies, they were negotiating for American and Canadian capital.³

The Colonial Office had, of course, already taken steps to ensure that British control should be retained over any concession in Bahrain;⁴ there remained, however, Kuwait, where the Eastern and General Syndicate was involved in negotiations with the Shaikh for a concession.⁵ The Colonial Office moved quickly to ensure that it did not weaken its position by an oversight, as it had done in Bahrain. In November 1928 Major Holmes, the syndicate's representative in Kuwait, was informed by the Political Agent that His Majesty's Government would not agree to the grant of a concession by the Shaikh of Kuwait unless it contained the British

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1. Hall to Monteagle, 31 July 1928, C.O.732/34/59115/7.
 2. Syndicate to Colonial Office, 22 October 1928, C.O.732/34/59115/11.
 3. Colonial Office to Board of Trade, 8 November 1928, enclosing memorandum of a meeting of 17 October 1928, C.O.732/34/59115/14.
 4. Secretary of State for the Colonies to the Political Resident, 19 June 1928, C.O.732/34/59115/2.
 5. A draft concession had been submitted to the Shaikh in July 1928. For the text, see Chisholm, pp.121-125.

Control Clause.¹ According to the Syndicate, the Shaikh of Kuwait had already signified to the Political Agent his willingness to sign the draft concession it had presented to him, although no verification of this is possible from Colonial Office files.² What does emerge, however, is that the Colonial Office, in insisting upon the inclusion of the British Control Clause in any Kuwait concession, was acting in the light of information given to it by the Syndicate that the company's oil interests in the Persian Gulf were likely to be transferred to an American company, although this information was not relayed officially to the Office in writing until 19 December 1928.³ The Petroleum Department's assertion in 1932, in a letter to the Foreign Office, that the decision to insist upon the British Control Clause was due simply to a realization that this matter had been overlooked in the Bahrain concession, and that '...no question of American participation had, up to this time, arisen'⁴, was therefore false, as a letter within the Board of Trade's files would have revealed.⁵

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1. The Colonial Office correspondence on Kuwait oil, file 59191 of 1928, has been destroyed. However, copies of the inter-departmental correspondence with the Board of Trade and the India Office in November 1928, on the intention to insist on the inclusion in any agreement of a clause providing for the maintenance of British control were sent to the Foreign Office, and are filed under references E5370/E5460/5370/91, F.O.371/13019. See also Eastern and General Syndicate to the Colonial Office, 17 October 1930, C.O.732/45/78178/19.
 2. Ibid. Although the Colonial Office correspondence on Kuwait oil for 1928 has been destroyed, by 12 September 1928, however, according to the summary of a letter from the Resident, Holmes had left Kuwait without obtaining a concession. See the index sheet for file 59191 of 1928 in C.O.78815.
 3. Syndicate to Colonial Office, 19 December 1928, C.O.732/34/59115/25.
 4. Petroleum Department to Foreign Office, 5 November 1932, C.O.732/52/98026/122.
 5. Colonial Office to Board of Trade, 8 November 1928, C.O.732/34/59115/14.

Such knowledge might, or might not, have altered the Foreign Office's attitude towards the matter in 1928, which was one of surprise that it should have been informed of the intricacies of commercial negotiations.¹ It would seem probable, however, that in 1928-9, at any rate, the Foreign Office would have regarded the imposition of conditions upon a concession yet to be signed as rather different from a belated effort to alter an existing concession so as to exclude possible American interests, for in the Spring of 1929 it was felt that since 'the Eastern and General Syndicate show a disposition to part with their concessions to American interests', the attempt to impose rigorous conditions on Kuwait in the early stages of negotiations would be beneficial: 'the insertion of a British-control clause ab initio will eliminate difficulties such as we are experiencing in the case of Bahrein'.²

In late 1928, therefore, Foreign Office involvement in the Bahrain and Kuwait negotiations was minimal, thus allowing the Colonial Office to insist upon the inclusion in both oil concessions of as much of the British Control Clause as might be feasible. In Bahrain, it adopted the policy outlined in its letter of 19 June 1928 to the Political Resident, and sought to make the renewal of the syndicate's exploration licence dependent upon that company giving an undertaking to abide by the British Control Clause.³ By this time, the American company involved, the Gulf Oil Company, was about to enter the IPC and hence could

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1. See minutes and documents in file 5370/91 of 1928, F.O.371/13019.
 2. Minute by C.E. Steel, 23 March 1929, on E1497/1497/91, F.O.371/13735.
 3. Colonial Office to Syndicate, 23 November 1928, C.O.732/34/59115/19.

not hold a concession in Bahrain independently of that company. It had therefore transferred its options to the Standard Oil Company of California (Socal).¹ The Syndicate, predictably, repulsed Colonial Office attempts to force them into an acceptance of the British Control Clause, and argued that, since it had made the agreements with the American company in good faith, the Colonial Office could not force it to rescind them, but should be satisfied with the stipulation, imposed by the Syndicate, that only a British or Canadian company should take over the concession.² Once the IPC, offered the concession by Gulf Oil, had refused it,³ Colonial Office hopes that exploitation by the IPC could solve its dilemma were negated.⁴

For a short time, the Colonial Office explored the possibility that, since the exploration licence, which had expired on 2 December 1928, had neither been renewed nor succeeded by a prospecting licence, the concession might be held to be null and void, and with it Gulf's options. This, officials hoped, would leave the IPC free to enter Bahrain.⁵ This is in itself a demonstration of how determined the Colonial Office was to resist American involvement in the concession, for this course of action was legally

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1. Memorandum from the U.S. Embassy in London, 3 April 1929, E1697/281/91, F.O.371/13730.
 2. Syndicate to Colonial Office, 19 December 1928, C.O.732/34/59115/25 and Memorandum on a meeting with representatives of the Syndicate, 28 December 1928, C.O.732/34/59115/27.
 3. Syndicate to Colonial Office, 8 April 1929, C.O.732/39/69035/23.
 4. Colonial Office to Board of Trade, 12 January 1929, C.O.732/34/59115/27; and Colonial Office to Admiralty, 20 March 1929, C.O.732/39/69035/17.
 5. Memorandum on meetings with representatives of the Syndicate on 28 December 1928, C.O.732/34/59115/27. Because of the Red Line Agreement of 1928, the Anglo-Persian would not have been able to hold the Bahrain concession independently of the IPC.

dubious. Not only had interdepartmental correspondence and Colonial Office consideration been largely responsible for the delay in the renewal of the exploration licence, but the wording of the concession itself was ambiguous, and did not stipulate that there could be no delay between the expiry of one licence and the commencement of another.¹ Moreover, the Syndicate had paid the money due for the subsequent year to the Bahrain Government's account. Before the decision finally to drop this line of argument had been taken, the Colonial Office had come to the conclusion that in view of the circumstances it might be best to abandon the idea of opposing the introduction of American capital, and concentrate on obtaining as much of the British Control Clause as possible.²

Its reasons for so deciding were purely pragmatic. Apart from the weakness of its argument legally, the Office was swayed by the Petroleum Department's belief that it would be better for the oil to be produced by a foreign company than not at all, based on the strong reasoning that in view of the general lack of interest amongst the oil industry in Bahrain,³ together with the possibility of United States diplomatic representations, it would probably be wiser to allow American participation.⁴ The wisdom of this argument

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1. Colonial Office to Admiralty, 20 March 1929, C.O.732/39/69035/17; Colonial Office to interested departments, 17 June 1929, C.O.732/39/69035/64-6; and report of a conference held at the Colonial Office, 7 June 1929, C.O.732/39/69035/68. It was at this conference that the decision was taken to drop the idea of declaring the concession null and void.
 2. Colonial Office to Admiralty, 20 March 1929, C.O.732/39/69035/17. The Foreign Office, which was sent a copy of this letter, whilst supporting the Colonial Office's general point of view, felt the latter had no grounds on which to insist upon the British Control Clause. Minute by Steel, 22 March 1929, on E1513/281/91, F.O.371/13730.
 3. In view of the world depression and slump in oil prices, this was especially relevant.
 4. Petroleum Department to Colonial Office, 2 March 1929, C.O.732/39/69035/15.

was demonstrated only a month later, when the United States Embassy asked for a statement of British policy towards the participation of American capital in the British protectorates.¹ Meanwhile the Syndicate, on behalf of its American associates, stated that

...there can be no valid reason or right for the exclusion of American interests in the way contemplated by these British nationality provisions, which were the result of afterthoughts in the premises.²

The sudden, if expected, intervention by the United States Government was to lead the Foreign Office to urge a conciliatory approach upon the other involved Departments. This was probably the most significant factor in persuading the Colonial Office to accept American involvement in Bahrain as a necessary evil. The Foreign Office was particularly anxious to avoid friction with the United States, in view of the worsening Anglo-American relations; moreover, it was aware that the new administration under President Hoover was likely to take a firm line on the control of raw materials.³

However, the Foreign Office had apparently overestimated the significance of American representations, for the State Department was little concerned by the issue - except after the event, when the case of Bahrain offered a precedent in the Kuwait negotiations. There is certainly no indication that State Department officials regarded the incident as in any way presaging another 'oil war', of the kind which had so exercised American politicians and officials during the early 1920s. The Near Eastern Division had in fact shown very little interest in the Bahrain concession until 6 February 1929, on which date Francis Loomis of Socal wrote to the State

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1. Memorandum left by the U.S. Chargé d'Affaires, 3 April 1929, E1697/281/91, F.O.371/13730.
 2. Syndicate to Colonial Office, 8 April 1929, C.O.732/39/69035/23.
 3. Joseph Brandes, Herbert Hoover and Economic Diplomacy: Department of Commerce Policy 1921-1928 (Pittsburgh, 1962).

Department,¹ drawing its attention to the British Colonial Office's attitude towards the Syndicate, explaining the agreements between the Syndicate, and the two American companies, and suggesting that the Colonial Office's unwillingness to see an American company operating in Bahrain was inspired by Anglo-Persian.

The State Department was little perturbed, but it nonetheless requested the United States Embassy in London to raise the matter informally with the Foreign Office,² and to assist Loomis and Harry Davis (an official of the Eastern Gulf Oil Company) whilst they were in London.³ It is, however, significant that the informal representations were to include a request to be informed of the British Government's policy on the holding and operating by foreigners of petroleum concessions in territories such as Bahrain.

Thereafter, Washington in effect lost interest in the issue, leaving it to Ray Atherton, the chargé d'affaires in London, and a man much experienced in oil diplomacy, to continue representations, and to press for information. This was to cause much embarrassment to the Foreign Office, which was unable to reply until all the necessary interdepartmental negotiations had been completed.⁴ Finally, however, on 29 May 1929, the Foreign Office

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1. Francis Loomis, Socal, to Paul Culbertson, State Department, 846B.6363/1, R.G.59, N.A. Loomis was not only an employee of Socal, but also an ex-Under Secretary of State; as such, his relationship with the State Department was usually cordial.
 2. U.S. Secretary of State to American Embassy, London, 28 March 1929, For. Rel. 1929, III, pp.80-81.
 3. U.S. Secretary of State to American Embassy, London, 30 March 1929, 846B.6363/6, R.G.59, N.A.
 4. File 281/91 of 1929, F.O.371/13730. The Foreign Office was however very conscious of the fact that the U.S. Embassy was putting on pressure. See minutes on E2070/E2325/281/91, F.O.371/13730. The interdepartmental negotiations are discussed in greater detail below. See also U.S. Secretary of State to American Embassy, London, 18 March 1929, 846B.6363/6; Atherton to U.S. Secretary of State, 19 April 1929, 846B.6363/5; and same to same, 9 May 1929, 846B.6363/7, all in R.G.59, N.A.

PAGE NUMBERING AS IN THE ORIGINAL THESIS

was able to write to the United States Embassy, stating that His Majesty's Government was prepared in principle to consent to the participation of United States interests, but refusing to give any general statement of its policy on protectorates, on the grounds that it reserved the right to consider each case on its merits.¹

As far as the State Department was concerned, that closed the matter. It had responded to a request by a legitimate American company experiencing difficulties in dealing with another government; difficulties, moreover, which appeared remarkably contrived. Having acted to safeguard the interests of American citizens, the State Department dropped out of the lengthy negotiations which followed. However, by raising the issue of general British policy towards the Persian Gulf 'protectorates', State Department officials had moved towards the assertion of the 'open door' in such territories - an implication that they were late to emphasize.²

The Foreign Office, meantime, had interpreted United States protests as more ominous than the routine protection of American interests abroad, and moved rapidly to avoid an outright confrontation between Great Britain and the United States. Hitherto they had left the matter almost entirely in the hands of the Indian and Colonial Offices, on the grounds that

I.O. [sic] and C.O. [sic] can be trusted to guard jealously all encroachments on our vital interests in the Gulf. It remains for us to see that what C.O. [sic] eventually proposes does not embroil us with the U.S. [sic] on a shaky case. 3

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1. Atherton to U.S. Secretary of State, 30 May 1929, For. Rel. 1929, III, pp.81-2.
 2. Strictly Confidential Memorandum on the Bahrain Oil Concession by H.S. Villard, 5 October 1931, 846B.6363/23, R.G.59, N.A.
 3. Minute by Steel, 15 March 1929, on E1339/281/91, F.O.371/13730.

Following the representations of the United States chargé on 3 April 1929, however, the Foreign Office became actively involved in the decision-making process. There were, in effect, two questions to be decided; whether United States capital should be admitted; and, if so, on what conditions. On the first question, the Foreign Office was eventually able to win agreement from all interested departments that some participation by American capital was essential. Most Whitehall departments were fairly easily persuaded. The Colonial Office was apparently already reconciled to the idea that the concession would have to pass under United States control,¹ and the Petroleum Department, which had always been less dogmatic about American participation, on 9 April 1929 reaffirmed its willingness to agree to the introduction of American capital, subject to some degree of British control.² Even the Admiralty, swayed by a desire to encourage the development of any oilfields located in the Persian Gulf, agreed in principle to foreign admittance.³ The India Office and the Government of India remained unconvinced,⁴ worried lest strong foreign financial interests might secure control of a petty government like Bahrain, and also concerned lest the Americans use the case of Bahrain as a precedent in other Persian

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1. Colonial Office to Foreign Office, 20 March 1929, E1513/281/91, F.O.371/13730; and minute by Steel, 18 April 1929, on E1904/281/91, F.O.371/13730.
 2. Mines Department to Colonial Office, 9 April 1929, C.O.732/39/69035/24.
 3. Admiralty to Colonial Office, 3 May 1929, C.O.732/39/69035/37.
 4. India Office to Foreign Office, 15 April 1929, E1904/281/91, F.O.371/13730; and paraphrase of a telegram from the Viceroy of India to the Secretary of State for India, 12 May 1929, enclosed in C.O.732/39/69035/45.

Gulf states. Even after it had been decided at an interdepartmental meeting on 7 May 1929 that the attempt to prevent the Bahrain oil concession from passing to an American firm should be abandoned,¹ the India Office continued to follow an obstructive policy in the hope of at least imposing the strictest possible conditions upon the concession, only being persuaded otherwise by the strong insistence of the Foreign Office, which was apparently more aware of the legal weakness of the British position, as well as the diplomatic necessity of avoiding outright confrontation with the United States.²

There remained only the settlement of the actual degree of British control to be incorporated into the concession, which it had now been agreed was to be transferred to the Bahrain Petroleum Company (Bapco), a Canadian registered subsidiary of Socal. This question had already been considered in May and June 1929, as part of a general discussion within Whitehall concerning the possibility of revising and relaxing the current policy toward oil leases on Crown lands in Crown Colonies, so as to allow foreign participation. In the event, despite considerable discussion at an interdepartmental level, no firm decision was taken, largely due to the intransigence of the Service Departments.³ The content of these discussions, however, clearly affected the kind of restrictions which could be imposed upon American companies operating in the Persian Gulf. At the most basic level, the United States Government was hardly likely to tolerate more rigorous safeguards being imposed upon concessions in territories that were not British

1. Minute by G.W. Rendel, 7 May 1929, on E2316/281/91, F.O.371/13730.

2. Foreign Office to India Office, 9 May 1929, E2325/281/91; and India Office to Foreign Office, 16 May 1929, E2521/281/91, both in F.O.371/13730.

3. Davis, British Oil Policy, pp.68-9 and 395-404; file 252/45, F.O.371/13540; file 466/45, F.O.371/16613; and Appendix IV.

possessions but merely British protectorates, than were in force in British colonies. The Foreign Office's attitude towards the general question of a leasing policy was in favour of a considerable relaxation of the restrictions, precisely because

From the point of view of Anglo-American relations I think there can be no doubt that advantage lies on the side of abolishing the restrictions. The matter must of course be decided primarily in accordance with economic and strategic considerations but, so far as the latter are concerned, I should have thought we could through a preemption [sic] clause safeguard our position in time of war without virtually barring American capital from the restricted regions. 1

The Foreign Office was thus able to use the possible relaxation of existing restrictions to win a decision that, in the case of Bahrain, '...the question could be dealt with on its merits'.² On 7 June 1929, an interdepartmental conference drew up four conditions which it was decided should govern the admittance of American capital. The Foreign Office, arguing that in view of the weakness in the British case, the terms should not be onerous, and should certainly not render American financial control inoperative, was largely responsible for the moderate nature (in the view of Departments such as the Admiralty and the India Office) of the conditions. These stipulated that the company which took over the concession was to be and remain a British company registered in Great Britain; that the Chairman, Managing Director, and between a third and a half of the directors should be British subjects; and that the local general manager, and the whole of the local staff, with certain exceptions, were to be British subjects, or subjects of the Shaikh of Bahrain.³

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1. Minute by Craigie, May 1929, on A3407/252/45, F.O.371/13539. See also minutes and correspondence on A3408/A3492/A4591/252/45, F.O.371/13539.
 2. Minute by Rendel, 7 May 1929, E2316/281/91, F.O.371/13730.
 3. Report of an interdepartmental conference held at the Colonial Office on 7 June 1929, C.O.732/39/69035/68.

Thereafter, the Foreign Office left the detailed negotiations of the conditions to the Colonial Office, only retaining a watching brief lest they be so harsh as to amount to the British Control Clause.¹ In the event, despite Foreign Office fears that the Indian and Colonial Offices were following a deliberately intransigent policy in the hope that negotiations with the company would fail,² the Colonial Office was forced, reluctantly, to agree to far less stringent conditions than had ever been intended, in the face of company obstinacy and Foreign Office watchfulness. One major problem, of course, was how to compel the American company to accept these conditions. It became obvious that the argument that the concession had lapsed in the absence of an extension of the exploration licence was very unreliable.³ The Foreign Office recommended that that argument should be dropped altogether, and that the Colonial Office should rely instead upon the reasoning that, should the company refuse to accept the conditions, the Shaikh would not be acting unreasonably in withholding his consent to the transfer of the concession.⁴ This was, however, at best a weak argument, subject to pressure from the United States Government, and it is thus hardly surprising that in the negotiations which followed, the Colonial Office several times retracted from a so-called 'final offer',⁵ the Foreign Office throughout urging moderation

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1. Correspondence in file 281/91, F.O.371/13730 and 13731.
 2. Minute by Steel, 14 August 1929, on E4039/281/91, F.O.371/13730.
 3. Colonial Office to interested departments, 17 June 1929, C.O.732/39/69035/64-6.
 4. Foreign Office to Colonial Office, 9 July 1929, C.O.732/39/69035/83.
 5. See various papers on C.O.732/39/69035/86a, 91a, 102, 124, 125 and 181.

and compromise,¹ in accordance with its general policy, '...to interfere with the Americans as little as possible, and the more C.O. [sic] are willing to give away the better we are pleased'.² The conditions, as eventually agreed, provided that the Bahrain Petroleum Company was to be and remain a British company registered in Canada, maintaining an office in Great Britain in charge of a British subject; that of five directors, one was to be a British subject, appointed in consultation with His Majesty's Government; that the company was to maintain a chief local representative in Bahrain, approved by His Majesty's Government; and that as many of the employees as was consistent with the efficient running of the undertaking in Bahrain were to be British subjects or subjects of the Shaikh of Bahrain.³ An attempt by the India Office and the Admiralty to include for His Majesty's Government a right of pre-emption over the company's oil in time of war was abandoned at the insistence of the Foreign Office.⁴

Although the British Government had done well to secure the incorporation of any such conditions in view of its weak legal position, nevertheless it had been forced to compromise on every point, and, as finally evolved, the conditions did little more than preserve the facade of the British nationality provisions. To a large extent, this was due to the pressure of the Foreign Office, alarmed lest the incident be magnified into a major source of Anglo-American friction. As the ensuing correspondence

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1. Foreign Office to Colonial Office, 4 September 1929, C.O.732/39/69035/124.
 2. Minute by Steel on E3888/281/91, F.O.371/13730.
 3. Indenture between the Shaikh of Bahrain and the Syndicate, enclosed in C.O.732/43/49035/41.
 4. Minutes and correspondence on E4242/281/91, F.O.371/13730; and E4313/E4798/281/91, F.O.371/13731.

over the next two years showed,¹ it was still necessary for the Colonial Office, as the department responsible for the negotiations, to preserve its vigilance in order to ensure that the spirit of the conditions was not flouted. In particular, the Colonial Office objected to the frequent absences of Frank Holmes, the British Government-approved chief local representative, from Bahrain; this objection probably was due to the fact that these absences were largely occasioned by the negotiations taking place for a Kuwait concession.² In the interdepartmental correspondence which necessarily accompanied these discussions, the Foreign Office concern throughout was '...to see that the American interests involved were properly treated....'³ and, provided such was the case, the Office did not object to obstacles being placed in the way of, for example, an extension of the area of the concession.⁴

It is noticeable that, despite the comparatively low-key nature of American diplomatic intervention in the case of Bahrain oil, the Foreign Office was immediately conscious of, and conciliatory towards, American susceptibilities, and was thus prepared to pressurize the other Whitehall Departments involved to admit an American company into an area of vital

1. Correspondence in Confidential Print, Middle East No.32, C.O.935/3; and Middle East No.49, C.O.935/7.

2. This opinion was shared by the Foreign Office, which was 'inclined to feel that the unsatisfactory state of all these oil questions in the Gulf from His Majesty's Government's point of view is due in large measure to Holmes's activities'. G.W. Rendel, Foreign Office, to K.W. Blaxter, Colonial Office, E2671/167/91, F.O.371/16842.

3. Minute by C.F.A. Warner, 18 September 1930, E4939/28/91, F.O.371/14454.

4. Correspondence in file 28/91, F.O.371/14454; file 1420/91, F.O.371/16006; and file 167/91, F.O.371/16843.

British strategic interests. It had to do this in the face of Colonial Office opposition; a reversal of roles from the early 1920s. To some measure, Foreign Office policy was probably dictated by the common British belief that oil deposits in Arabia were only of minor significance, and, also of course, the dubious legality of any demand for the insertion of additional clauses into a concession it had already approved. The case of Kuwait was to be far more complex,¹ and reveals far more critically Foreign Office susceptibilities in the early 1930s to any possibility of worsening Anglo-American relations; for, although United States diplomatic representations were to be stronger, and more persistent, the British case for insisting upon the British Control Clause was far more justifiable, for in Kuwait no concession had been granted, and His Majesty's Government was thus able to invoke its Treaty with the Shaikh of Kuwait stipulating that British Government consent was necessary before an oil concession was granted.

Because of this, the Colonial Office had been able, with the tacit concurrence of the Foreign Office, to stipulate in November 1928² that any concession granted by the Shaikh of Kuwait should contain the British Control Clause, confident that the British Government, by so doing, would be within its Treaty rights. Regardless of the Bahrain precedent, the Colonial Office had every intention of retaining the Kuwait oilfield for a British company. Hall's comment on Bahrain oil applied equally

1. For a brief discussion, see Davis, pp.404-414; for a more detailed narrative, see Chisholm.

2. For a detailed discussion of the Kuwait oil negotiations before November 1928, and especially the rival applications of Anglo-Persian and the Syndicate, see Chisholm, pp.3-15.

to Kuwait,¹ whilst the Foreign Office's reply to the request from the United States Embassy for a statement of His Majesty's Government's policy on American participation in commercial exploitation of British protectorates had been non-committal, and had refused to give any general statement of policy.² The India Office and the Government of India, which had only agreed reluctantly, after considerable pressure, to accept American participation in Bahrain, were unlikely to follow that precedent in Kuwait, on the grounds that

If we can surrender our general position in the Persian Gulf Koweit can go with it. If we cannot - and with our necessities both for air and for oil I cannot imagine that our answer to the question will be that we can sacrifice a position which has become a historical necessity - then Koweit is a very essential factor. 3

On 7 June 1929, it had indeed been agreed in principle by an interdepartmental conference that it would be desirable to resist the introduction of American interests into Kuwait, if possible by interesting the Anglo-Persian there.⁴

Negotiations with that company in the next year, however, proved disappointing. Its geological survey of Kuwait had not been encouraging, and the British Government was informed by Sir John Cadman that neither Anglo-Persian nor the IPC were likely

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1. Hall, Colonial Office, to Lord Monteagle, Foreign Office, 31 July 1928, C.O.732/34/59115/7.
 2. Foreign Office to U.S. Embassy, 29 May 1929, For. Rel. 1929, III, pp.81-2.
 3. Sir L. Haworth, Political Resident, Bushire, to Secretary of State for India, 14 October 1928, enclosed in J.G. Laithwaite, India Office, to C. Baxter, Foreign Office, 24 November 1928, E5643/3164/34, F.O.371/13070.
 4. Report of an interdepartmental conference held at the Colonial Office on 7 June 1929, C.O.732/39/69035/68. There is no record, either in the minutes of the conference, or in Foreign Office files, of any Foreign Office opposition to this policy.

to apply for the Kuwait concession.¹ Meanwhile, Major Frank Holmes continued to negotiate with the Shaikh of Kuwait,² and on 19 August 1930, the Syndicate submitted a draft of an oil concession to the Colonial Office for consideration. Despite the clear instructions given to the Syndicate that any concession must include the British Control Clause, this draft merely provided for the conditions which had been incorporated into the Bahrain concession, which would, of course, permit exploitation by a foreign company.³ The Resident, however, in a despatch commenting upon the draft, conveyed the very welcome information that the Shaikh of Kuwait was insistent that

...under no circumstances would he agree to the concession being transferred to an American company and that he himself was insistent that the nationality clause would be inserted and that the concessionaires should be British. 4

Faced with the likelihood that neither Anglo-Persian nor the IPC, the only two major British companies operating in the Middle East, would take a positive interest in the Kuwait concession, the Colonial Office found in this statement of the Shaikh's feelings a new and apparently insurmountable obstacle to American encroachments, which would allow the British Government to pose as a liberated guardian who could not impose its wishes against those of an independent ruler. The Resident, whose own

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1. Petroleum Department to Colonial Office, 28 October 1930, C.O.732/45/79178/22. For the text of the 1926 geological report on Kuwait, see Chisholm, pp.111-118.
 2. Oil concessions in Kuwait, destroyed under statute, file 69096 of 1929, C.O.788/6.
 3. Syndicate to Colonial Office, 19 August 1930, C.O.732/45/79178/1. Apparently these instructions had also been repeated to Major Holmes by Political Agent Dickson on 6 August 1930. Chisholm, p.17.
 4. Political Resident to Secretary of State for the Colonies, 1 September 1930, C.O.732/43/79178/7.

opinion,¹ like that of the India Office and the Government of India,² was strongly against any American capital being introduced into Kuwait, suggested that Whitehall might allow the Syndicate's negotiations to proceed,³ secure in the knowledge that the shaikh himself was adamant against American involvement in his state. This policy was accepted by all the interested departments.⁴ Even the Foreign Office, on being informed of the shaikh's hostility towards American involvement in his state, decided not to intervene in order to ensure that the way was left open for American involvement,⁵ for it saw

...no reason why we should intervene to facilitate the eventual transfer of this concession to American interests, by arguing against the insertion of the 'nationality clause'...There are, so far as I know, no special circs. [sic] as caused our intervention in the case of the Bahrain oil concession. 6

Even the usually vigilant American Department agreed that His Majesty's Government was on strong ground vis-à-vis any possible United States protest, in view of the shaikh's insistence upon the concession going to an all British company.⁷ The Foreign Office did, however, suggest that some statement of the shaikh's opinion

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1. Political Resident to Secretary of State for the Colonies, 6 October 1930, C.O.730/43/79178/21.
 2. India Office to Colonial Office, 1 December 1930, and enclosed correspondence with the Government of India, C.O.732/43/79178/32.
 3. Political Resident to Secretary of State for the Colonies, 9 November 1930, C.O.732/43/79178/32.
 4. Colonial Office to interested departments, 8 December 1930, and their replies, C.O.732/43/79178/33-5, 37-8 and 41.
 5. Minutes on E6630/4914/91, F.O.371/14484.
 6. Minute by C.F.A. Warner, 20 November 1930, E6215/4914/91, F.O.371/14484.
 7. American Department minutes on E6630/4914/91, F.O.371/14484.

should be obtained in writing, as a final safeguard,¹ although on the advice of the Colonial Office, the suggestion was dropped.² It was therefore only on the authority of the Political Resident, but with no written undertaking, that the Syndicate were informed on 31 January 1931 that the Shaikh of Kuwait definitely refused to grant a concession to any concern that was not entirely British, and would insist upon the inclusion of the British Control Clause into any concession. His Majesty's Government, the Colonial Office added, was not prepared to advise the shaikh to alter his stance, and the Syndicate's proposals were therefore unacceptable.³

Despite this rebuff, the Syndicate continued to negotiate with the Shaikh of Kuwait,⁴ and in May 1931 presented him with yet another draft concession, which failed to incorporate the nationality provisions.⁵ Shortly after this, both the Political Agent in Kuwait and the Political Resident returned home on leave; H.R.P. Dickson, the Political Agent, expressed his belief that, during his absence, Holmes would endeavour to persuade the shaikh to grant him a concession, a belief which Major Biscoe, the Political Resident, shared, but he did not feel Holmes would

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1. Foreign Office to Colonial Office, 3 December 1930, and attached minutes, E6215/4914/91, F.O.371/14484.
 2. Colonial Office to Foreign Office, 31 January 1931, C.O.732/43/79178/43. The Foreign Office agreed after very little internal discussion. Foreign Office to Colonial Office, 10 February 1931, E510/325/91, F.O.371/15277, and thereafter the Foreign Office largely ignored the matter, on the grounds that 'we are not very directly interested, so long as nothing is done which is likely seriously to arouse the resentment of the Americans'. Minute by Warner, 11 August 1931, E4142/325/91, F.O.371/15277.
 3. Colonial Office to Syndicate, 31 January 1931, C.O.732/43/79178/44.
 4. In view of the fact that Holmes was in constant touch with the Shaikh of Kuwait, he was unlikely to accept such a blanket statement of the latter's views, especially since the shaikh had apparently realized that the Syndicate had American backing. Chisholm, pp.14-18.
 5. Political Agent, Kuwait, to Political Resident, 21 May 1931, enclosed in C.O.732/50/89178/10.

succeed.¹ However, Biscoe's confidence was not entirely justified. On 2 July 1931, the Shaikh of Kuwait wrote a letter to Frank Holmes, in which he placed the onus of insisting upon the Nationality Clause upon Great Britain, and stated his intention of abiding by the British Government's decision.² Although the Shaikh had forwarded this letter to the Acting Political Agent, Dr. Greenway, for approval before despatching it, the latter had neither seen its implications nor thought it necessary to refer the draft to the Acting Political Resident, who commented that '...it will presumably be difficult for His Majesty's Government to maintain vis-à-vis the Syndicate the attitude it has hitherto adopted'.³

The British Government thus found itself in a difficult situation, its apparently invincible position having been considerably undermined. Initial reaction was cautious; the Colonial Office clearly believed that the Shaikh had written the letter simply to fob off Holmes, and sought to belittle the implications and interpretations of the Shaikh's letter.⁴ Even the Foreign Office saw no reason to resist this interpretation, and assumed that 'We are not very directly interested, so long as nothing is done which is likely seriously to arouse the resentment of the

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1. Major Biscoe to Sir J. Shuckburgh, Colonial Office, and enclosures, 26 May 1931, C.O.732/50/89178/10.
 2. Shaikh of Kuwait to Frank Holmes, 2 July 1931, C.O.732/50/89178/15; and Chisholm, pp.18-19.
 3. Acting Political Resident to Secretary of State for the Colonies, 7 July 1931, and enclosed correspondence, C.O.732/50/89178/15.
 4. Minutes on *ibid.*; and Colonial Office to Acting Political Resident, 14 September 1931, C.O.732/50/89178/35. It is, of course, impossible to be sure why the Shaikh wrote this letter, but for a discussion of this point, see Chisholm, pp.19-20.

Americans'.¹ Moreover, since no concession had yet been signed, the British Government was within its Treaty rights, if it chose to insist upon the British Control Clause being included, even in the face of the Shaikh's own wishes. However, its position, should the United States Government choose to protest, was considerably weakened; and meantime the Syndicate was quick to press home its advantage, by requesting a statement of British policy in view of the Shaikh's supposed willingness to waive the British nationality clause.²

It was only at this stage in the negotiations that the United States Department of State was requested to take an interest in the matter. As in the case of Bahrain, the Department was clearly not sufficiently impressed with the oil potential of Arabia to view the granting of concessions as a matter of national importance. From late 1930 a passing interest had been taken in the Kuwait negotiations, including British opposition to Holmes' activities,³ but there seems to have been a general belief in the Department that the Kuwait concession, if obtained by the Eastern and General Syndicate, would be transferred to an American company subject only to the conditions imposed in Bahrain.⁴

However, in late 1931, the Eastern Gulf Oil Company approached the State Department to make the first of many requests for the

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1. Minute by Warner, 11 August 1931, on E4142/325/91, F.O.371/15277; and Minute by Warner, 15 August 1931, on E4231/325/91, F.O.371/15277.
 2. Syndicate to Colonial Office, 4 August 1931, C.O.732/50/89178/19.
 3. A. Sloan, Consul, Baghdad to U.S. Secretary of State, 14 March 1931, 890B.6363/33; and same to same, 21 May 1931, 890B.6363/34, both in R.G.59, N.A.
 4. Memorandum by H. Ferrin on Persian Gulf Oil Operations, n.d. but September 1930, 890B.6363/32, R.G.59, N.A.

diplomatic assistance of the United States Government, pointing out that certain of the conditions that were being imposed were intended to prevent any possibility of American control, and claiming that

The British Government has for three years prevented our obtaining the Koweit concession. During all that period the Syndicate and we have exercised the utmost patience... We feel now that our efforts are exhausted [sic], and that unless we have the prompt assistance of the United States Government, the combined pressure of the British Government upon the Sheikh and activities of the Anglo-Persian Oil Company in Koweit may shortly result in completely destroying any opportunity for us to obtain the Koweit concession.

The insistence on the British Nationality clause, Gulf maintained, owed nothing to the Shaikh, but was solely at the instigation of British Government officials.¹ The diplomatic assistance requested would, of course, have been fruitless whilst negotiations were conducted with the Shaikh of Kuwait, a ruler with whom the United States Government had no official relations; but, with the Shaikh's referral of the matter back to the British Government, United States Government intervention became feasible.

In this new phase of diplomatic representations, an added complication was to be the influence used on behalf of Gulf by Andrew Mellon, an ex-Cabinet colleague of President Hoover and, from February 1932, United States Ambassador to Great Britain.² Since the self-denying ordinance of the IPC, the Red Line Agreement, excluded Kuwait, the Gulf Oil Company, in which Mellon interests were involved, would be able to exploit Kuwait directly.

1. F.A. Leovy, Eastern Gulf, to U.S. Secretary of State, 27 November 1931, 890B.6363 G.O.C./1, R.G.59, N.A.

2. The U.S. Secretary of State saw the representatives of Gulf at the request of Mellon. Internal memorandum by P.H. Alling, Near Eastern Division, 30 November 1931, 890B.6363 G.O.C./2, R.G.59, N.A.

It was undoubtedly this direct pressure by a politically influential businessman which was the main factor in influencing the American Secretary of State to instigate informal representations to the Foreign Office,¹ although the Near Eastern Division also felt that the company had a good case.² However, although in effect the United States Government was simply reacting to a specific request by a particular company, their representations were yet again couched in general terms, referring to the right of United States citizens to participate in concessions in Kuwait on an equal basis with British interests: an interesting extension of the 'open door' principle.³ Throughout December 1931, Atherton and Ambassador Dawes continued to press the matter, often at the instigation of the Gulf Company,⁴ although by now the United States Embassy was clearly suspicious of the continued delay in the Foreign Office reply, necessitated by the interdepartmental consultations required.⁵ It therefore pointed out that the reciprocity

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1. U.S. Secretary of State to U.S. Chargé, London, 3 December 1931, For. Rel. 1932, II, pp.1-2. This pressure, incidentally, was also applied by company representatives in London to the U.S. Chargé there. Atherton to Wallace Murray, 10 December 1931, 890B.6363 G.O.C./14, R.G.59, N.A.
 2. Wallace Murray to W.R. Castle, 1 December 1931, 890B.6363 G.O.C./3, R.G.59, N.A.
 3. U.S. Secretary of State to U.S. Chargé, London, 3 December 1931, For. Rel. 1932, II, pp.1-2; and memorandum by Lancelot Oliphant of a conversation with the U.S. Chargé, London, 4 December 1931, E6011/325,91, F.O.371/15277.
 4. Ambassador Dawes to U.S. Secretary of State, 29 December 1931, For. Rel. 1932, II, pp.3-4; Wallace (Gulf) to U.S. Secretary of State, 27 January 1932, 890B.6363 G.O.C./18, R.G.59, N.A.; W.R. Castle to Wallace, 2 February 1932, 890B.6363 G.O.C./19, R.G.59, N.A.; U.S. Secretary of State to U.S. Chargé, London to Secretary of State, 3 February 1932, For. Rel. 1932, II, p.6; and minutes and memoranda on E6181/E6237/325/91, F.O.371/15277.
 5. Memorandum by Oliphant of a conversation with Atherton, 1 February 1932, E495/121/91, F.O.371/16001.

section of the United States Mining Lease Act of February 1920 was still in force.¹ By February 1932, a new reason for speed was the appointment of Andrew Mellon as United States Ambassador to the Court of St. James, and the consequent desire on the part of American officials to settle the matter before his arrival in London.² Meanwhile, rumours, relayed to the State Department by Gulf, that the continual delay in the British reply, ostensibly caused by the need to refer the issue to the Persian Gulf and conduct the necessary interdepartmental consultations, was in fact in order to give Anglo-Persian an opportunity to supersede the Syndicate,³ provided an added incentive to the Department to take further diplomatic action. Although at this stage, most State Department officials, notably Wallace Murray, saw little reason to treat the matter as a major international controversy, continual pressure from Gulf, together with Mellon's impending departure for London, led to a decision to abandon informal representations and take up the matter formally.⁴ Even at this stage, Murray at least seemed to feel that Gulf had little chance of getting the concession, for

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1. U.S. Ambassador, London to Secretary of State for Foreign Affairs, 22 December 1931, For. Rel. 1932, II, pp.4-5. For a discussion of the U.S. Mining Lease Act see Chapter 2 above.
 2. Murray to Castle, 10 February 1932, 890B.6363 G.O.C./24, R.G.59, N.A.
 3. Wallace, Gulf, to U.S. Secretary of State, 18 March 1932, 890B.6363 G.O.C./41, R.G.59, N.A.
 4. U.S. Secretary of State to Atherton, 26 March 1932, For. Rel. 1932, II, pp.11-13; and U.S. Chargé, London, to Secretary of State for Foreign Affairs, 29 March 1932, E1549/121/91, F.O.371/16001.

it would be asking a great deal of the British Government to expect them to refrain from supporting the Government-controlled Anglo Persian [sic] Oil Company in establishing itself in British-controlled territory like the Shaikhdom of Kuwait in the close proximity of the Anglo Persian oil fields in South Persia. 1

Moreover, the State Department, having reviewed the correspondence on the matter, refused to be misled by Gulf's own representations on the issue; whilst clearly suspicious that Anglo-Persian was being given preferential treatment, it was aware that the Foreign Office might well be correct in insisting that the Anglo-Persian had been involved in Kuwait long before the Syndicate had made its first approaches to the Shaikh. Moreover, on reflection, P.H. Alling at least was prepared to concede that the Shaikh's famous letter of 2 July 1931 was rather ambiguous, whilst the Colonial Office's statements that the Shaikh insisted upon the British Nationality clause all dated from before 2 July 1931. This low-key approach was also favoured by P.H. Villard, who maintained that the United States Government should not push the matter too vigorously at present, for '...the British might consider it discourteous...and we might lose any good will which the Foreign Office may have toward us in this matter'.² However, American representations were to be successful. After receiving the formal note from the United States Government, the Foreign Office moved quickly to bring the matter before the Cabinet,³ and on 9 April 1932, Sir John Simon was able, with Cabinet concurrence, finally to reply

1. Internal Memorandum by Murray to U.S. Secretary of State, 22 March 1932, Chisholm, pp.160-1.

2. Internal Memoranda by Alling and Villard, 15 March 1932, 890B.6363 G.O.C./39.

3. Foreign Office Memorandum on Kuwait, 2 April 1932, C.P.120(32), CAB.24/229.

to the United States chargé. In his note, the Colonial Office policy to date was reversed, Simon assuring Atherton that, in this case, His Majesty's Government was prepared not to insist that the concession must have a clause confining it to British interests, if the Shaikh was willing to grant the concession without it. However, it was made plain that His Majesty's Government did not intend to advise the Shaikh to give prior or preferential treatment to the Syndicate.¹

To date, the State Department had been little exercised by the matter, which had been treated on a very routine level, rather than as an example of British bad faith, or Colonial monopoly. However, in the interdepartmental negotiations in Whitehall, in which - eventually - the Foreign Office view prevailed, it is clearly apparent that fears of a major diplomatic controversy with the United States had led to the Foreign Office reversing its previous qualified support for the Colonial and Indian Offices' view, and insisting, especially after the United States commenced formal representations, on the British Government giving way, at least in principle, to American pressure.

This task was by no means an easy one. Although informal representations were made to the Foreign Office in December 1931, it was not until April 1932 that that office was able to reply to the United States Embassy. This was despite the fact that as soon as the first informal conversations were held with Ray Atherton, and particularly after those representations were repeated persistently during December 1931, the Foreign Office began to be seriously concerned at the implications of the Indian and Colonial

1. Secretary of State for Foreign Affairs to U.S. Chargé, London, 9 April 1932, E1733/121/91, For. Rel. 1932, II, pp.14-16. This letter had been very carefully discussed and drafted. See E1733/121/91, F.O.371/16002.

policy in the Gulf, Craigie expressing his opinion that '...the C.O. [sic] and I.O. [sic], if given their head, may cheerfully land us in a new "war".'¹ Clearly with memories of 1919-22 in mind, the American Department of the Foreign Office began to think very much in terms of the possibility of a new 'oil war',² and, on the basis that 'it must be definitely understood that we cannot embark on a dog-fight with the USA [sic] about oil', began to adhere to the opinion that the British Government would find it difficult to impose stricter conditions in the case of Kuwait than in Bahrain.³ This did not necessarily mean that the concession should go to Gulf as a matter of course; the Foreign Office was sympathetic to the argument that it would be desirable if Anglo-Persian were to show an interest in, and eventually obtain, the Kuwait concession.⁴ Foreign Office officials were, however, determined that there should be no grounds for suspicion that the British were deliberately excluding American interests, and therefore found the continued India Office insistence on the retention of the British Control Clause '...most tiresome and unfortunate'.⁵ However, within Whitehall, the Foreign Office was alone in holding this view; even the usually sympathetic Petroleum Department was urging the claims of Anglo-Persian,⁶ whilst the India Office, Government of India, Colonial

1. Minute by Craigie, 1 January 1932, on E6350/325/91, F.O.371/15277.

2. Minute by P.M. Roberts, 30 December 1931, on *ibid.*

3. Minute by Oliphant, on E6414/325/91, F.O.371/15277; Minute by Warner, 31 December 1931, *ibid.*; and Foreign Office to India Office, 22 January 1932, E261/121/91, F.O.371/16001.

4. This is discussed in more detail below.

5. Minute by Rendel, 14 January 1932, on E207/121/91, F.O.371/16001; Minute by Warner, 14 January 1932, on *ibid.*; and India Office to Foreign Office, 15 January 1932, E261/121/91, F.O.371/16001.

6. F. Starling, Petroleum Department to C.F.A. Warner, Foreign Office, 7 January 1932, E121/121/91, F.O.371/16001.

Office and the Service Departments were all determined to retain the greatest possible degree of British control over any oil to be found in Kuwait.

The Foreign Office, therefore, had to fight a long and determined battle against the other Departments, particularly the Colonial Office, and it was only when the United States commenced formal representations, providing the ideal excuse for taking the matter before Cabinet, that a decision in favour of conciliation was possible. During the intervening four months, the Colonial Office consistently attempted to delay any decision being taken on the reply to be made to the United States Embassy, not least to allow Anglo-Persian time in which to apply for a concession. Initially, the ostensible cause of the delay was the need to obtain the views of the Political Resident in the Persian Gulf, even though the Colonial Office was well aware of his views, and of his interpretation of the Shaikh's intentions,¹ whilst all further references to Bushire were answered by the end of January 1932.² Moreover, as Major Harry G. Davis of Gulf Oil pointed out to the American Ambassador, the question of the interpretation to be placed upon the Shaikh's letter was largely immaterial to the central issue of whether the British Government was prepared to waive the British Control Clause.³ By the beginning of 1932, the Foreign Office appeared both embarrassed and concerned by the long delay; however, an additional obstacle now arose, for, despite the Foreign

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1. Political Resident to Secretary of State for the Colonies, 29 October 1931 and 3 November 1931, C.O.732/50/89178/nos.58 and 59.
 2. Political Resident to Secretary of State for the Colonies, 19 December 1931 and 15 January 1932, C.O.732/52/98026/2 and 7.
 3. Major Harry G. Davis to U.S. Ambassador, London, 28 December 1931, Chisholm, p.133.

Office making it plain to the India Office that '...at present it is essential so far as possible not to be obstructive to American interests...' ¹, the India Office insisted that the Government of India should be consulted. ² The Foreign Office had, therefore, in conversations with Ray Atherton on 27 January and 1 February 1932, to assure him that, whilst it was pushing the matter to the utmost, and although negotiations with the Resident had been completed, it was still necessary to ascertain, through pending correspondence, the views of the Government of India. ³

In fact, however, it was not until 3 February 1932 that the India Office telegraphed a specific request to the Government of India for their views on the question of waiving the British Control Clause; although in this telegram they did concede that, in view of the Foreign Office's strong views on the subject, it would probably be wise to shelve the attempt to shift the responsibility of decision on to the Shaikh, and accept in principle the admission of American capital. ⁴ In a surprising volte-face, the Government of India not only agreed that the British Control Clause should be waived but, on the grounds that American influence had already been admitted into the Persian Gulf as a consequence of the Bahrain concession, argued that the further admission of American interests might well be to Great Britain's benefit, since American capital would make for stability and peace, whilst a conciliatory attitude on the part of His Majesty's Government might well secure American co-operation with Britain in that strategically significant part

1. Minute by Oliphant to Vansittart, 18 January 1932; and Foreign Office to India Office, 22 January 1932, both on E261/121/91, F.O.371/16001.

2. Correspondence and minutes on E495/E647/121/91, F.O.371/16001.

3. Ray Atherton to U.S. Secretary of State, 3 February 1932, For. Rel. 1932, II, p.6.

4. Secretary of State for India to Government of India, 3 February 1932, enclosed in C.O.732/52/98026/23.

of the world.¹

By now, therefore, the Foreign Office, India Office and Government of India were totally reconciled to the shelving of the British Control Clause, and it must have appeared as though the way were open for a conciliatory response to the United States Embassy. However, the Colonial Office still wished to retain the option of imposing the clause should Anglo-Persian fail to apply for a concession, a view strongly backed by the Service Departments.² So, although the Colonial Office largely abandoned its own insistence upon the British Control Clause, it still insisted upon the Admiralty being consulted;³ this was to lead to a prolonged argument between the Foreign Office and the Admiralty. At an interdepartmental meeting on 11 March, the two Departments had been unable to reach agreement, the Admiralty stressing the strategic value of a British controlled oil source in the Persian Gulf, particularly if the Russians occupied Persia, and the Foreign Office arguing that in that case United States political support would be of more value.⁴ The Admiralty, however, refused to give way, emphasizing not only the strategic question, but also the difficulties of protecting Americans working in the Gulf; they continued to insist that at the very least over 50% of the capital must be British.⁵ The Foreign Office by now were not only arguing

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1. Government of India to Secretary of State for India, 25 February 1932, enclosed in C.O.732/52/98026/23.
 2. See C.O.732/52/98026/nos. 28, 30 and 31.
 3. Colonial Office to Foreign Office, 26 February 1932, C.O.732/52/98026/21.
 4. Record of a meeting held at the Foreign Office, 11 March 1932, E1347/121/91, F.O.371/16001.
 5. Admiralty to Foreign Office, 14 March 1932, E1348/121/91, F.O.371/16001; and correspondence and minutes on E1378/E1407/121/91, F.O.371/16001.

on general grounds of Anglo-American relations, but were also emphasizing the British Government's obligation to consider not only their own desiderata but also the Shaikh of Kuwait's best interests;¹ finally, however, the formal approach by the United States Embassy accelerated a course of action which Admiralty intransigence was already making likely,² the referral of the matter to the Cabinet.

In the Foreign Office memorandum, which had the concurrence of the Colonial Office, India Office and Petroleum Department, it was strongly argued that the British Government should meet the United States Government's request on the grounds that

The Foreign Office have taken the view that a dog-in-the-manger attitude would be indefensible both vis-à-vis of the Americans and from the standpoint of the obligation of His Majesty's Government to consult the Sheikh's best interests.

It also objected strongly to the Admiralty's desire to demand that 50% of the capital should be British, as being quite unacceptable to the Americans, and inconsistent with the general oil policy approved by the Committee of Imperial Defence, and awaiting the ratification of the Imperial Conference, which aimed at dropping the old policy of complete control in order to allow the British Government to claim reciprocity from other countries.³ The Foreign Office also mentioned, in passing, that 'it should be remarked that it is not proved that oil exists in commercial quantities', and that Anglo-Persian was showing an interest in the Kuwait concession.⁴ Despite the opposition of the Admiralty, it was finally agreed,

1. Memoranda by Warner, 19 and 23 March 1932, E1378/E1478/121/91, F.O.371/16001.

2. Correspondence and minutes on E1549/E1558/121/91, F.O.371/16001.

3. Davis, British Oil Policy, pp.395-417.

4. Foreign Office Memorandum on the American wish to secure an oil concession in Kuwait, 2 April 1932, C.P.120(32), CAB.24/229.

however, that the British Control Clause should be waived, subject to certain conditions, which included a stipulation that at least 50% of the oil should be refined on Kuwaiti or British territory, and be subject to the right of pre-emption by the British Government. The transfer of leases was also to be subject to British Government control, any admission of foreign interests being on a reciprocal basis; the company was to be registered in Britain, and a majority of its employees were to be subjects of Great Britain or Kuwait. In short, the facade of British control was to be maintained, with real Admiralty control of fuel oil should the need arise.¹

The United States were informed of this decision that the British Control Clause would be waived on 9 April 1932, and on 10 May the Syndicate was informed, although it was also told that its present draft concession would require revision to satisfy the British Government.² Neither the Syndicate nor the American Embassy were, however, informed of the nature of the conditions which would be imposed, whilst it was also made plain that the Syndicate would not **receive** preferential treatment. This was essentially to leave the way open for a possible Anglo-Persian application for a concession in Kuwait, an alternative that had appeared increasingly likely throughout late 1931 and early 1932, and which was probably largely responsible for the Colonial Office and Petroleum Department accepting the Foreign Office insistence upon a conciliatory policy.

It will be remembered that when the Eastern and General Syndicate had first raised the possibility of American involvement

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1. Secretary of State for the Colonies to the Acting Political Resident, 9 May 1932, C.O.732/52/98026/50.
 2. Colonial Office to Syndicate, 10 May 1932, C.O.732/52/98026/51.

of 1928/9, Anglo-Persian had made plain to the Colonial Office that they were not likely to apply for a concession in Kuwait on its own belief. It had, however, been urged upon Anglo-Persian by the Petroleum Department that they should show an interest in Kuwait, since '...we do not like to see any area which offers any promise going entirely into American hands'.¹ Whilst initially Anglo-Persian did not respond encouragingly,² the company's initial pessimism about the possibilities of oil in the Persian Gulf had given way to a cautious optimism, and in August 1931, shortly after Dr. Greenway's disastrous faux pas became known, the company asked for permission to send yet another geological party to Kuwait, to explore the possibilities of oil.³

Thus, even before United States diplomatic intervention forced the British Government to reconsider its policy of insisting upon the British Control Clause as a way of diverting the Syndicate, the Colonial Office had begun to adopt an alternative strategy, that of delaying negotiations with the Syndicate,⁴ so as to permit time for Anglo-Persian to make a formal application for a concession. On 29 August 1931, therefore, it informed the Syndicate that before stating its policy in view of the Shaikh's letter to Frank Holmes, it would be necessary to consult the authorities in the Persian Gulf, and that the reply '...cannot be expected for

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1. H.W. Cole, Petroleum Department, to Sir John Cadman, Anglo-Persian, 18 October 1930, Chisholm, Note 40, p.127.
 2. Sir John Cadman, Anglo-Persian to H.W. Cole, 21 October 1930, Chisholm, Note 40, pp.127-8. It is, however, worth noting that Cadman enquired what terms the Syndicate was offering.
 3. Anglo-Persian to Petroleum Department, 25 August 1931, Chisholm, p.128. This is despite the discouraging conclusions of all geological surveys to date. Chisholm, pp.111-118.
 4. In a letter to the Acting Political Resident, the Colonial Office suggested that the question of the Shaikh's intention in writing the letter should await the return of Biscoe. Colonial Office to Acting Political Resident, 14 September 1931, C.O.732/50/89178/35.

some considerable time'.¹ As was to be expected, Major Biscoe gave it as his opinion that the Shaikh, although pressed by his subjects to grant a concession to the Syndicate for financial reasons, still wished to exclude Americans from his state and would undoubtedly favour Anglo-Persian.² Therefore, within a month of its initial policy being weakened, if not destroyed, by the Shaikh's letter, the Colonial Office had been presented fortuitously with an alternative.

Unfortunately, translating this potential alternative into a positive all-British oil concession in Kuwait was hindered by two factors; the Foreign Office's reluctance to invite further United States protests at anti-American discrimination, in view of their already renewed interest in Kuwait; and Anglo-Persian's dilatoriness and initial reluctance to apply for a concession. As recently as January 1931 Anglo-Persian had expressed its belief that the oil potential of the Arabian peninsula was negligible,³ and although company officials had come to believe in August 1931 that 'The prospects of the existence of petroleum in Kuwait territory are perhaps somewhat less remote than hitherto has appeared the case', its tone was still far from enthusiastic.⁴ Moreover, the geological survey, which at the time was the sole expressed intention of the company, would take several months, and did not commence until the middle of December,⁵ by which time, as outlined above, the United States Government had already started pressing the Foreign Office.

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1. Colonial Office to Syndicate, 29 August 1931, C.O.732/50/89178/23.
 2. Political Resident to Secretary of State for the Colonies, 29 October 1931, and 3 November 1931, C.O.732/50/89178/nos.58 and 59.
 3. Petroleum Department to the Colonial Office, 20 January 1931, C.O.732/50/89178/1.
 4. Anglo-Persian to Petroleum Department, 25 August 1931, enclosed C.O.732/50/89178/27a.
 5. Anglo-Persian to Colonial Office, 28 January 1932, Chisholm, p.128.

Thus, although the Foreign Office was well aware of the desirability of Anglo-Persian securing the concession, and knew that there was a case for arguing that the British Government could legitimately allow the Shaikh to defer any decision until Anglo-Persian had submitted its full proposals, it was also well aware that there was a very real chance that Anglo-Persian was not seriously interested in Kuwait, but was merely seeking to discourage the Syndicate. In such a case, it was vital, in the opinion of Foreign Office officials, that nothing should be done to prevent the Shaikh granting a concession to the Syndicate, for '...it would be prejudicial to Anglo-American relations...to adopt a dog-in-the-manger policy'.¹ They therefore saw it as imperative that the company should make up its mind as quickly as possible if it intended to pursue a concession, lest British Government policy invite United States accusation of bad faith.²

Events were quickly to show that this latter possibility was by no means remote. A major reason for delay in replying to United States representations, in the eyes of the Colonial Office at least, was that until a definite declaration was made that His Majesty's Government would agree to the waiving of the British Control Clause, no concession could be signed with the Syndicate, thus giving time for Anglo-Persian to make up its mind on whether to apply for a concession. However, at an early stage in the inter-governmental conversations, the United States began to be suspicious that the delay was in order to allow Anglo-Persian time to establish its position. As early as 29 December 1931, the

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1. Minute by Craigie, 1 January 1932, on E6350/325/91, F.O.371/15277; and minute by Warner, 31 December 1931, on E6414/325/91, F.O.371/15277.
 2. Memorandum of a meeting on 1 January 1932, by Warner, 2 January 1932, on E6414/325/91, F.O.371/15277.

Counsellor of the United States Embassy, in conversation with Sir Lancelot Oliphant, had expressed the hope that whilst the Kuwait matter was under discussion between the Embassy and the Foreign Office, His Majesty's Government would not support an application from any purely British company or concern for an oil concession in Kuwait.¹ Foreign Office minutes would seem to indicate that, although it was anxious not to appear prejudiced in favour of Anglo-Persian, it regarded this request of Atherton as unreasonable.²

Here the matter rested, but in February 1932, Gulf informed the State Department that Anglo-Persian geologists were active in Kuwait,³ and brought back to the fore the question of a possible Anglo-Persian concession. The State Department, therefore, became persuaded that the delay was intentional, in order to afford more time '...in which to bring pressure upon the Shaikh of Kuwait to alter his attitude with consequent advantage to the Anglo-Persian Oil Company',⁴ an opinion Atherton already shared, and was not slow to bring to the Foreign Office's attention.⁵ This was the first

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1. Verbal communication from Counsellor of the U.S. Embassy to Oliphant, 29 December 1931, E6414/325/91, F.O.371/15277.
 2. Minutes on *ibid.*, especially that by Warner, 31 December 1931. It would appear, however, that either Oliphant had been very equivocal, or that Atherton had indulged in wishful thinking, as the State Department was apparently of the opinion that the Foreign Office supported this viewpoint. Internal memorandum by Wallace Murray to U.S. Secretary of State, 12 January 1932, 890B.6363 G.O.C./17, R.G.59, N.A.
 3. Wallace, Gulf, to U.S. Secretary of State, 22 February 1932, 890B.6363 G.O.C./25, R.G.59, N.A.
 4. U.S. Secretary of State to U.S. Chargé, London, 25 February 1932, For. Rel. 1932, II, p.7.
 5. U.S. Chargé, London, to U.S. Secretary of State, 24 February 1932, For. Rel. 1932, II, pp.6-7; same to same, 26 February 1932, For. Rel. 1932, II, p.7; and same to same, 27 February 1932, 890B.6363 G.O.C./36, R.G.59, N.A.

occasion on which the State Department began to suspect the integrity of the British Government, a suspicion increased when on 7 March 1932 it received a report from the American consul-general in Baghdad, stating that he had been informed by an American missionary in Kuwait that the Shaikh had given an oil concession to Anglo-Persian.¹ Although this report was later qualified as just a rumour,² Atherton had already informed Vansittart that the interested American company was concerned lest the long delay caused by diplomatic correspondence might result in Anglo-Persian being granted a concession.³ It was thus apparent that the United States Government would not accept the grant of a concession to Anglo-Persian without protest.

The Foreign Office thus found itself in a difficult position. It had already decided that United States attempts to prevent any concession being granted to a British company during diplomatic negotiations were unreasonable, whilst it appreciated that other departments regarded the grant of the concession to Anglo-Persian as strategically and politically desirable. It could not therefore accept American requests that Anglo-Persian activities in Kuwait should be suspended. Hence Oliphant's reply to Atherton, in the drafting of which the Colonial Office played a major part, referred for the first time to the activities of Anglo-Persian, and attempted to justify them. Assuring the Americans that these activities were confined to geological examination, Oliphant nonetheless pointed out that Anglo-Persian had been interested in Kuwait for

1. Sloan, Baghdad, to U.S. Secretary of State, 7 March 1932, 890B.6363 G.O.C./34, R.G.59, N.A.; and U.S. Secretary of State to U.S. Chargé, London, 7 March 1932, For. Rel. 1932, II, p.8.

2. Sloan, Baghdad, to U.S. Secretary of State, 19 March 1932, 890B.6363 G.O.C./52, R.G.59, N.A.

3. U.S. Chargé, London, to U.S. Secretary of State, 11 March 1932, For. Rel. 1932, II, p.8.

considerably longer than the Syndicate.¹ Although this letter also apologized for further delay being inevitable as a result of Cabinet deliberations, the American State Department, well aware of Mellon's impending departure for London, and genuinely concerned that Anglo-Persian was being given preferential treatment, continued to press for an early reply.² In the event, the Foreign Office reply of 9 April 1932, although meeting the United States Government on the British Nationality clause, made it plain that the Syndicate could not expect preferential treatment; a policy that other British Government departments would not have accepted.

Thereafter, interest centred on the rival applications of the Syndicate and Anglo-Persian, and the draft concessions each offered.³ The State Department was clearly suspicious of Anglo-Persian activities, and would clearly not accept any concession going to that company that was not markedly better than the terms offered by the Eastern and General Syndicate. On the other hand, within Whitehall, most of the involved Departments would expect preferential treatment to be given to Anglo-Persian, with only the Foreign Office apparently insisting upon any decision being taken upon the merits of the case.

The problem was exacerbated by the attitude of Anglo-Persian. Early in April 1932, Sir John Cadman had told the Foreign Office that his company was not interested in Kuwait, and that the Americans

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1. Draft of a letter to Atherton, C.O.732/52/89026/26a; and Oliphant to Atherton, 14 March 1932, For. Rel. 1932, II, pp.9-10.
 2. Correspondence on 890B.6363 G.O.C./39, 41, 43, 45, 45½ and 50, R.G.59, N.A.; and U.S. Embassy, London, to Foreign Office, 29 March 1932, For. Rel. 1932, II, pp.11-13.
 3. A detailed discussion of these negotiations can be found in Chisholm.

were welcome to it,¹ information that was apparently contradicted by what Cadman himself was telling the Colonial Office.² At about this time, the Abadan representative of Anglo-Persian informed the Shaikh of Kuwait that the company did not intend to apply for a concession at that time.³ Later that same month, Sir A.T. Wilson, in a private letter to Dickson, casually stated that whilst Anglo-Persian did not wish to negotiate for a concession at present, it would pay the Shaikh for an exclusive option to prospect and survey Kuwait territory for two years, with no undertaking on either side to grant or apply for a concession⁴ - a proposal that the Shaikh rejected.⁵ The Political Resident was understandably annoyed both at the content and method of this communication,⁶ but by the time it reached London, the Colonial Office was already in receipt of a letter from Anglo-Persian, stating that it was prepared to open formal negotiations.⁷

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1. Minute by Oliphant of a conversation with Sir J. Cadman, 11 April 1932, E1897/121/91, F.O.371/16002.
 2. Colonial Office to Foreign Office, 26 April 1932, E2064/121/91, F.O.371/16002.
 3. E.H.O. Elkington, Anglo-Persian, to Shaikh of Kuwait, 13 April 1932, Chisholm, Note 50, p.154. This followed a geological survey in February to April 1932, which suggested that Kuwait as an oil proposition was definitely in the 'wild-cat' class, and that any oil found was likely to be the less profitable heavy crude. For the report, see Chisholm, pp.142-155.
 4. A.T. Wilson to Lieutenant-Colonel Dickson, 29 April 1932, enclosed in C.O.732/52/98019/11. Why Wilson made this proposal is unclear, since the Anglo-Persian management at Abadan were extremely sceptical as to its acceptability. Major Biscoe, Political Resident, to A.C.C. Parkinson, Colonial Office, 31 May 1932, C.O.732/52/98019/12.
 5. Chisholm, pp.21-2.
 6. Major Biscoe to A.C.C. Parkinson, 26 May 1932, C.O.732/52/98019/11.
 7. Anglo-Persian to Colonial Office, 3 May 1932, C.O.732/52/98026/45a.

With the discovery of oil in commercial quantities in Bahrain later that same month, the oil potential of Arabia began to be taken more seriously by all the interested companies, and rivalry for the Kuwait concession was bound to become more intense.¹ Nearly a year after the failure of its first policy, the Colonial Office appeared to be achieving its second; although the Foreign Office was far from pleased, Rendel arguing that 'From the international point of view it is very unfortunate that Sir J. Cadman should have reconsidered his original decision to withdraw from the field'.²

Because Anglo-Persian was so late on to the scene, a draft concession was not in fact submitted to the Shaikh of Kuwait until 13 August 1932, four years after the Syndicate first presented a draft concession to the Shaikh.³ Once this draft had been submitted, the Syndicate was hastily informed that no action could be taken on its proposals until the Shaikh had had the opportunity of comparing the two concessions in the light of comments from the British and Indian Governments.⁴ By this time, however, the Syndicate had in turn submitted a new draft, incorporating the Bahrain safeguards, whilst Major Holmes had been energetically pursuing negotiations in Kuwait.⁵ The State Department, meantime, was content to allow the commercial negotiations to take their own path.

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1. Apparently the Shaikh told both companies that whichever of them gave him the better terms would succeed. Chisholm, p.23. A sign of Anglo-Persian's serious intention was that in mid August 1932 Chisholm was sent to Kuwait as resident Anglo-Persian representative. Chisholm, pp.26-7.
 2. Memorandum by Rendel, 26 July 1932, E3589/121/91, F.O.371/16002.
 3. Anglo-Persian to Political Resident, 13 August 1932, enclosed in C.O.732/52/98019/20. For the draft concession, see Chisholm, Note 63, pp.163-165.
 4. Colonial Office to Syndicate, 24 August 1932, C.O.732/52/98026/103.
 5. Syndicate to Colonial Office, 10 June 1932, C.O.732/52/98026/71; and Political Agent, Kuwait, to Political Resident, 10 May 1932, enclosed in C.O.732/52/98026/64.

Even before the Anglo-Persian draft had been received in London, disagreement had again broken out between the Admiralty and the Foreign Office, the former contending that clear preference should be given to Anglo-Persian,¹ the Foreign Office maintaining that the British must tread very warily, since the Americans would clearly suspect them of being able to do what they liked with the Shaikh; thus, any decision as between the two companies would have to be entirely fair, '...since from the point of view of general policy the present would be a most inopportune moment at which to provoke another oil controversy with the United States of America',² which was already suspicious at the prolonged delay. They therefore continued to keep a zealous eye on the progress of negotiations with the two companies, determined to '...keep a close watch on the C.O. [sic] and I.O. [sic]...' in order to avoid '...another oil controversy with the U.S. [sic] at this most inopportune moment'.³ Thus when the Colonial Office suggested that steps should be taken to prevent any further extension of the Syndicate's activities, the Foreign Office rejected this idea, since its general attitude was that 'The Eastern & Genl [sic] Syndicate are jackals - but they are jackals for [illegible] U.S. [sic] interests, & [sic] our policy is in principle one of a fair field and no favour'.⁴ The one point on which all departments were able to agree was that, once both drafts had been received, the Petroleum Department should

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1. Admiralty to Colonial Office, 4 August 1932, C.O.732/52/98026/92.
 2. Record of a meeting at the Colonial Office, 15 September 1932, C.O.732/52/98026/39; and minute by Rendel, 26 July 1932, on E3589/121/91, F.O.371/16002.
 3. Minute by Craigie, 27 July 1932, E3589/121/91, F.O.371/16002.
 4. Minute by Rendel, 19 September 1932, on E4637/3372/91, F.O.371/16007.

prepare a comparison of the terms for the consideration of the Shaikh,¹ who had refused to consider the Anglo-Persian draft until informed that it had the British Government's approval.²

At this stage, however, the State Department again re-entered the lists, prompted by considerable pressure from Gulf, which was convinced that the Shaikh was being urged to accept the Anglo-Persian draft immediately. In early September 1932, therefore, American diplomatic representations were renewed, on the basis that the United States Government considered that the failure of His Majesty's Government to comment upon the Eastern and General Syndicate's terms had placed the latter in a disadvantageous position.³ The Embassy was informed that a comparison on commercial grounds between the two drafts was to be prepared by the Petroleum Department for the use of the Shaikh, with the question of British safeguards only being raised with the successful competitor.⁴ However, it was apparent to the Foreign Office that the Americans would not accept the granting of a concession to Anglo-Persian on anything other than the soundest commercial grounds, whilst the other Whitehall Departments were still determined to see the British company being given clear

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1. Record of a meeting at the Colonial Office, 5 August 1932, C.O.732/52/98026/39. The Foreign Office felt, however, that if His Majesty's Government was to support Anglo-Persian's concession, it would have to be considerably better. Memorandum by Warner, 6 August 1932, E3589/121/91, F.O.371/16002.
 2. Political Resident to Secretary of State for the Colonies, 25 August 1932, C.O.732/52/98019/27; and Anglo-Persian to Colonial Office, 29 August 1932, C.O.732/52/98019/21.
 3. Acting U.S. Secretary of State to U.S. Chargé, London, 2 September 1932, For. Rel. 1932, II, pp.16-17; U.S. Chargé, London, to U.S. Secretary of State, 7 September 1932, 890B.6363 G.O.C./198, R.G.59, N.A.; and U.S. Chargé, London, to U.S. Secretary of State for Foreign Affairs, 6 September 1932, E4582/121/91, F.O.371/16002.
 4. Secretary of State for Foreign Affairs to U.S. Chargé, London, 16 September 1932, For. Rel. 1932, II, p.17.

preference.¹ Indeed, Gulf hoped that the State Department would force the British Government to recede from the position of advising the Shaikh on the clauses of the rival concessions,² although this the State Department refused to do, clearly feeling that, whilst it could not allow the British to close the door altogether, it had to recognize that Britain's pre-eminent political position was bound to give Anglo-Persian an advantage.³ However, as a month passed without the comparison being prepared, the State Department, urged on by Mellon, began to get concerned, and finally in October 1932 the United States Embassy conveyed this concern to the Foreign Office,⁴ urging the British to expedite the comparison, a request which Mellon reiterated in early November.⁵

Thus, once again the Foreign Office had been placed in an embarrassing position by the dilatoriness of other departments; moreover, given Ambassador Mellon's personal involvement with Gulf, and the pressing nature of his conversations with Vansittart, it was plain that further delay might seriously affect Anglo-American relations. The Foreign Office found itself in the position, caused solely by other Departments, that although it had been scrupulous to insist upon a fair field, it was now beginning to appear as though His Majesty's Government was hanging

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1. Minute by Rendel, 17 September 1932, on E4670/121/91, F.O.371/16002.
 2. Wallace, Gulf, to Murray, 22 September 1932, and attached minute by Alling, 890B.6363 G.O.C./148, R.G.59, N.A.
 3. Memorandum by Alling, 1 October 1932, 890B.6363 G.O.C./153, R.G.59, N.A.
 4. U.S. Secretary of State to U.S. Chargé, London, 4 October 1932, For. Rel. 1932, II, p.19; Ambassador Mellon to U.S. Secretary of State, 18 October 1932, For. Rel. 1932, II, p.20; Memorandum of a conversation between the U.S. Ambassador and Sir R. Vansittart, 17 October 1932, E5410/121/91, F.O.371/16002; and U.S. Embassy, London, to Foreign Office, 1 November 1932, enclosed in 890B.6363 G.O.C./160, R.G.59, N.A.
 5. Conversations between U.S. Ambassador, London, and Sir R. Vansittart, 2 November 1932, E5764/121/91, F.O.371/16001.

fire solely in order to promote Anglo-Persian's interests, thus meaning that any concession granted to the British company, however superior in terms, would appear suspect to the Americans.¹ Sir R. Vansittart was especially angry, both as a result of his own desire to see close Anglo-American co-operation, and, on a personal level, because he was the official who had to make excuses to Mellon. He was determined, therefore, to 'draw rank' on the other departments, both because '...for reasons of considerably higher policy I do not wish to have acrimonious disputes with the U.S.A. [sic] at this moment',² and, on a more basic level, because

Putting it at its lowest, we shouldn't wish to have a controversy with anyone out of which we should come as badly as this, in view of all the back history of the case that doesn't look well either. 3

Finally, after very strong urging from the Foreign Office,⁴ on 9 November 1932, the Petroleum Department completed its comparison, which suggested that on balance Anglo-Persian offered the best terms. Not only did that company's draft offer the most advantageous proposals on the length of exploration period, working obligations and financial terms, but its draft also combined a stipulation that the concession might only be transferred to a British company. This conclusion was of course highly acceptable to the Colonial Office and other interested departments. Admiralty requirements were provided for by a suggestion that the successful company should have to provide safeguards in the form of pre-emption

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1. Foreign Office minutes, 2 November 1932, on E5764/121/91, F.O.371/16002.
 2. Minute by Vansittart, 2 November 1932, on ibid.
 3. Minute by Vansittart, 22 November 1932, on E6063/121/91, F.O.371/16003.
 4. Foreign Office to Petroleum Department, 3 November 1932, and Foreign Office to Petroleum Department, 7 November 1932, both on E5764/121/91, F.O.371/16002.

and refining clauses.¹ In the comparison, the Petroleum Department tended to assume that current practice followed by Anglo-Persian was inherently the best procedure; however the other departments, including of course the Foreign Office, lacked the technical expertise to challenge the conclusions. Two days after it received the memorandum, the Foreign Office informed Ambassador Mellon that the document embodying the result of the comparison was on its way to the British authorities in the Persian Gulf for communication to the Shaikh.²

This would, however, appear to have been misleading, for whilst the document might have been sent out, it was only after a month of interdepartmental consultations that it was finally decided to send two 'personal and private' telegrams to the Political Resident, instructing him to communicate the Petroleum Department memorandum to the Shaikh of Kuwait. This delay was largely due to yet another wrangle between the Foreign Office and the Admiralty, the latter wishing to see British pressure brought strongly to bear upon the Shaikh of Kuwait to favour Anglo-Persian,³ the former rejecting this as both '...illogical, dishonest and unwise...',⁴ and also impracticable; '...there would be no hope

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1. Petroleum Department to Colonial Office, 9 November 1932, and Colonial Office minutes, C.O.732/52/98026/123. Clearly, Anglo-Persian would also have found the conclusions acceptable. Chisholm was, in retrospect, to call the memorandum 'detailed and non-committal', and 'meticulous'. Chisholm, p.30.
 2. Vansittart to Mellon, 11 November 1932, E5855/121/91, F.O.371/16002.
 3. Admiralty to Foreign Office, 8 November 1932, E6063/121/91, F.O.371/16003.
 4. Minute by Rendel, 19 November 1932, on *ibid.*

of concealing from Holmes - & [sic] from the Americans - that influence had been brought to bear on the Sheikh'.¹ It was therefore decided to oppose the Admiralty on this matter,² and, when the Admiralty refused to give way, to refer the matter to the Middle East Official Sub-Committee of the Committee of Imperial Defence.³ It was only as a consequence of this meeting, on 2 December 1932, that agreement was reached upon the instructions to be sent to the Political Resident.⁴ At this meeting, Rendel, the Foreign Office representative, played a major part in drawing up the instructions. He was very insistent upon the importance of retaining the spirit of the 'open door' for

In view of the present state of Anglo-American relations, and of the numerous problems of world importance for the solution of which Anglo-American co-operation was essential, the Foreign Office could not agree to any action likely to provoke an accusation of bad faith or sharp practice... 5

Even then, the Admiralty in effect delayed the communication of those instructions for a further three weeks.⁶ Finally, however, the Colonial Office was able to relay them to the Political Resident on 22 December 1932.⁷

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1. Minute by Warner, 18 November 1932, on *ibid.*
 2. Vansittart to Sir B.M. Eyres-Mansell, Admiralty, 24 November 1932, E6063/121/91, F.O.371/16003.
 3. Minute by Rendel, 29 November 1932, on *ibid.*
 4. M.E.(O)81, CAB.51/6; minutes of the Middle East Official Sub Committee, 2 December 1932, M.E.(O), 21st meeting, CAB 51/2; and correspondence and minutes on E6549/E6563/121/91, F.O.371/16003.
 5. Minutes of the Middle East Official Sub Committee, 2 December 1932, M.E.(O), 21st meeting, CAB 51/2.
 6. Admiralty to Foreign Office, 21 December 1932, E6801/121/91, F.O.371/16003.
 7. Colonial Office to Foreign Office, 22 December 1932, E6824/121/91, F.O.371/16003.

The instructions reflected the common belief in Whitehall that, in view of the conclusions of the Petroleum Department's memorandum, the Shaikh's decision would almost certainly be in favour of the Anglo-Persian proposals;¹ and a determination that nevertheless everything possible should be done, within the limits of the British pledges to the United States, to influence the Shaikh. The Resident was informed that, in view of the American complications, the sections relating to British control, pre-emption and refining should be omitted from the memorandum submitted to the Shaikh. Moreover, it was essential, lest the Shaikh favour the Anglo-Persian concession, that no hint of British pressure be made; thus, whilst the Resident and Political Agent, Kuwait, were perfectly at liberty to answer any questions the Shaikh might ask, they must not influence his choice. Nonetheless, the Resident was also instructed to inform the Shaikh orally that whilst the Syndicate intended to transfer the concession to a foreign company, a concession to Anglo-Persian would ensure British control.² It was obviously felt that this latter information would sway the Shaikh.

The Colonial Office had every hope and desire that, following the Shaikh's receipt of the memorandum on 8 January 1933, and subsequent discussions with the Resident, a speedy decision would be made in favour of Anglo-Persian.³ The Foreign Office, also,

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1. A view the Foreign Office shared, Vansittart minuting that it seemed likely that 'his [Mellon's] company will come in a good but heated second'. Minute by R. Vansittart, 12 November 1932, and other minutes on E5855/121/91, F.O.371/16002.
 2. Secretary of State for the Colonies to Political Resident, 22 December 1932, C.O.732/52/98026/nos.178-179. According to Chisholm, however, the Resident in a private conversation with him had told the Shaikh that he would strike the best bargain he could with whichever party he favoured. Chisholm, p.29.
 3. C.O.732/52/98026/190 and C.O.732/57/18119/13 and 14.

hoped for a speedy decision, in favour of either company, to ease the embarrassment of the situation vis-à-vis the Americans.¹ However, they were to be disappointed. Even before the memorandum had been presented to the Shaikh the United States Embassy - albeit entirely at the instigation of Ambassador Mellon - presented a memorandum to the Foreign Office, pressing for information on the communication to the Shaikh of the comparison.² This uninstructed intervention by Mellon caused considerable perturbation within the State Department³ - more indeed, than in the Foreign Office, whose officials were acutely embarrassed by the delay⁴ - but, the initiative having once been taken, pressure continued to be put upon the Foreign Office, this time with the prior knowledge of the State Department.⁵ It was plain that the United States Government would not let the matter go by default.

Delay, however, continued to be the hallmark of the negotiations. Both companies were - mistakenly - informed by the Resident that the memorandum had been conveyed to the Shaikh,⁶ and were thus

1. E619/E662/E723/91, F.O.371/16835.

2. Verbal communication by U.S. Ambassador Mellon, 13 December 1932, enclosed in U.S. Ambassador, London, to U.S. Secretary of State, 15 December 1932, For. Rel. 1932, II, p.27. It seems probable that Mellon was trying to sort out the matter before his Ambassadorial term of office came to an end with the inauguration of the new Democratic administration. Minute by Rendel, 23 December 1932, on E6801/121/91, F.O.371/16003.

3. Minutes on 890B.6363 G.O.C./167 and 169, R.G.59, N.A.

4. Minute by Vansittart, 13 December 1932, on E6636/121/91, F.O.371/16003.

5. Minute by Warner, 22 December 1932, E6801/121/91, F.O.371/16003; and Acting U.S. Secretary of State to U.S. Charge, London, 7 January 1933, For. Rel. 1932, II, p.29.

6. C.O.732/59/18119/6 and 13. The Political Resident authorized both companies to reopen negotiations on 14 January 1933. Chisholm, p.29.

forewarned to renew their bargaining.¹ The Shaikh, too, refused to hasten his decision, in part, the Political Agent believed, because whereas the memorandum clearly favoured Anglo-Persian, the Shaikh himself was beginning to move towards the Syndicate.² He also saw, in the renewed negotiations, an ideal chance to 'bid up' his royalties; much to the annoyance of the Foreign Office, which had apparently abandoned its earlier insistence upon the necessity of safeguarding the Shaikh's best interests.³

The Foreign Office was deeply perturbed that there had been a renewal of negotiations, hoping for a rapid end to '...the very embarrassing period during which, though the Sheikh has a right to look to us for advice, H.M. [sic] Government must avoid all risk of being accused of weighting the balance in favour of one or other company'.⁴ It was not necessarily hoping that the Syndicate would secure the concession; indeed, Foreign Office hopes were clearly pinned on the possibility of a 50/50 agreement between the two companies.⁵ However, the longer matters dragged on, the more likely it was that the United States Government would renew representations. This became inevitable when Gulf secured the Petroleum Department memorandum, and sent it to the State Department.⁶ Already convinced that the prolonged delay

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1. In January 1933 Anglo-Persian presented a revised draft. Chisholm, pp.168-70.
 2. Political Agent, Kuwait, to Secretary of State for the Colonies, 11 February 1933, C.O.732/57/18119/16. There was, however, good reason for the Shaikh's refusal to be hurried; after being kept waiting five months for the promised British Government memorandum, he was being pressed after only a month to make his decision. Chisholm, p.30.
 3. Minute by Rendel, 23 February 1933, on E987/12/91, F.O.371/16835.
 4. Minute by Warner, 3 February 1933, on E663/12/91, F.O.371/16835.
 5. Minutes on E913/12/91, F.O.371/16835.
 6. Wallace, Gulf, to Murray, 25 February 1933, 890B.6363 G.O.C./176, R.G.59, N.A.

had been intentional, the Near Eastern Division concurred with the company that the comments were clearly biased.¹ However, although it did continue with its informal representations,² surprisingly the United States Government thereafter played only a very small part in the negotiations. Undoubtedly, this was partially due to the State Department's belief that its standing legally was not very strong; but probably of far more significance was the entry into office in March 1933 of a new Democratic administration, in which Mellon had no political influence. Gulf therefore ceased to make requests for State Department assistance; indeed, it did not even inform the Department of the progress in negotiations, or the formation of, and eventual grant of the concession to, the Kuwait Oil Company.³ Moreover, by the Spring of 1933 the State Department, like the British Foreign Office, was increasingly convinced that the ultimate solution was likely to be a commercial compromise between the two companies.⁴

Nonetheless, the stance taken by the United States Government of insistence upon the 'open door', was bound to influence the 18 months of prolonged and complicated negotiations which followed. In these negotiations, the Colonial Office, on behalf of His Majesty's Government, played for the most part an observer's role,

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1. Internal memorandum by P.H. Alling on the British Government's comparison of Drafts, 27 February 1933, 890B.6363 G.O.C./177, R.G.59, N.A.
 2. U.S. Secretary of State to U.S. Embassy, London, 28 February 1933, 890B.6363 G.O.C./178, R.G.59, N.A.
 3. P. Knabenshue to U.S. Secretary of State, 8 January 1935, 890B.6363 K.O.C./1; and Wallace Murray to Ray Atherton, 21 January 1935, 890B.6363 K.O.C./2, both in R.G.59, N.A.
 4. Internal memorandum by P.H. Alling, 16 March 1933, 890B.6363 G.O.C./183; P. Knabenshue to U.S. Secretary of State, 11 August 1933, 890B.6363 G.O.C./185; and various documents in the 890B.6363 G.O.C. file, all in R.G.59, N.A.

feeling bound by the Foreign Office correspondence with the United States not to influence the Shaikh beyond proffering an explanation of the Petroleum Department's memorandum.¹ It was, however, prepared to instruct the Resident to hang fire on the Shaikh's decision, so as to permit Anglo-Persian to solve problems generated by their Persian concession,² and to urge that company to submit far better terms than those offered by the Syndicate,³ thus allowing the British Government to advise the Shaikh legitimately to accept Anglo-Persian's draft. This would permit the two divergent policies operating within Whitehall, of honouring the Foreign Office pledge, yet ensuring that the eventual concession was held by Anglo-Persian, to be reconciled.

The negotiations with the Shaikh were complicated by many factors, including lengthy correspondence on the possibility of the Shaikh visiting England as the guest of one or other of the two interested companies, the suspected intervention by ibn Saud on behalf of the Syndicate, and the new concessions offered by both companies in an effort to better each other's terms.⁴ The Shaikh was by mid 1933 clearly disposed towards the Syndicate, and less inclined to take Dickson into his confidence, believing,

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1. Mr. A.C. Parkinson, Colonial Office, to Lieutenant-Colonel Fowle, 2 March 1933, C.O.732/57/18119/40; and record of an interdepartmental meeting held on 3 March 1933, E1196/12/91, F.O.371/16835.
 2. U.S. Secretary of State for the Colonies to Acting Political Resident, 14 March 1933, C.O.732/57/18119/57. The Foreign Office were willing to agree to this, providing there was no overt departure from its commitments to the U.S. Government. Minute by Rendel, 21 March 1933, E1426/12/91, F.O.371/16836.
 3. Sir Samuel Wilson, Colonial Office, to A.C. Hearn, Anglo-Persian, 15 March 1933, C.O.732/57/18119/58.
 4. See correspondence in C.O.732/57/18119 and C.O.732/57/18126.

the Political Agent hypothesized, that it would be to his advantage politically if the Americans gained influence in Kuwait, and seeing Dickson's enforced neutrality as a sign of British weakness.¹ Moreover, at this time the Shaikh had reason to be dissatisfied with the protection afforded by the British Government, since the latter seemed incapable of solving problems such as the question of the taxation of the Shaikh's date gardens in Iraq, and ibn Saud's land blockade of Kuwait; and since '...the Sheikh is well aware that our policy of maintaining the independence and furthering the prosperity of Koweit is actuated more by our own interest than by his',² he was hardly likely to fear the withdrawal of British protection, whilst the opportunity of securing the political support of the United States Government was bound to be appealing.

By now, possibly as a consequence of the change of administration in the United States, the Foreign Office was far less nervous about American susceptibilities, and was quite prepared to follow a policy of allowing the Shaikh to postpone a decision that, it was becoming increasingly clear, would almost certainly be in favour of the American group;³ though it also justified this policy on the grounds that, if His Majesty's Government intervened to press for a quick decision, the Americans would be

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1. See papers on C.O.732/57/18119/78, 89, 131, 137 and 163. This opinion was also apparently shared by Anglo-Persian's 'man on the spot', A.H.T. Chisholm. Chisholm to Anglo-Persian, 16 January 1933, Chisholm, p.28.
 2. Minute by Rendel, 4 March 1933, E1196/12/91, F.O.371/16835.
 3. Minute by Rendel, 23 March 1933, on E1426/12/91, F.O.371/16836. However, by now Anglo-Persian were clearly very interested in the possibility of a 50-50 agreement. Sir John Cadman to Sir John Lloyd, (director, Anglo-Persian), 1 March 1933, Chisholm, Note 77, pp.176-7.

extremely angry if it went against them; an argument that they were quick to use against the Petroleum Department and the Admiralty, both of which were anxious to see Anglo-Persian obtain the concession, the Admiralty even arguing in favour of making some political concession to the Shaikh in order to obtain his acceptance.¹ In short, the Foreign Office was still determined to ensure that the British Government's actions were such that it was seen to abide by the letter of its pledges to the United States Government, but was apparently less concerned about the spirit of the agreement, if by a negative policy of delay, preference could be given to Anglo-Persian.

There still seemed every chance, however, that the Shaikh, whether as the result of the unscrupulous behaviour of Holmes,² or in order to win the political support of the United States, and break free of the complete control of the British and Indian Governments, would grant the concession to the Syndicate. This was despite the fact that the Colonial Office had managed to induce Anglo-Persian to offer what the Political Resident described as '...quite exceptionally generous financial terms...',³ and had therefore obtained the approval of even the Foreign Office to advising the Shaikh strongly, on this account, to give the concession to Anglo-Persian.⁴ The Colonial Office was therefore relieved

1. Minute by Rendel, 21 March 1933, on E1426/12/91, F.O.371/16836.

2. Or so the British Government liked to believe. Correspondence on file 12/91, F.O.371/16836 and 16837, especially minutes and correspondence on E2138/12/91, F.O.371/16836.

3. Political Resident to Secretary of State for the Colonies, 28 March 1933, C.O.732/57/18119/78.

4. Extract from the final record of a meeting held at the Colonial Office on 26 April 1933, C.O.732/57/18126/75. The Political Resident apparently did so when he saw the Shaikh on 13 May 1933. However, this urging was apparently not particularly successful, as the following day the Shaikh suspended negotiations. Chisholm, p.34.

when, in mid May 1933, the Shaikh suspended oil negotiations.¹

In the event, after the prolonged and at times rather bitter negotiations, the eventual solution was that first aired in December 1932, of co-operation between Anglo-Persian and Gulf in a joint concession.² The British Government had, however, taken very little part in these negotiations, and by the time that a tentative agreement was reached between the two companies, the departments involved had adopted the philosophical attitude that matters were virtually out of their hands,³ in view of the obligation imposed upon them, as in the case of the Iraq negotiations, to work within the constraints of diplomatic correspondence with the United States. In the absence of effective State Department involvement, the Foreign Office, too, were able to adopt a 'watching brief', ensuring only that the letter of the undertakings to the Americans was observed by the Colonial Office and, after August 1933, the India Office.⁴ In the changing Foreign Office mood of late 1933, no longer so conciliatory towards American interests, the same officials as had been urging a policy of safeguarding American susceptibilities at all costs, had begun to be more assertive of British interests, even Craigie minuting that '...the field has been so readily accessible to these

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1. Chisholm, p.35. This might have been because the British Government was advising the Shaikh to give the concession to Anglo-Persian, although Chisholm also puts forward several other possible reasons, including the fact that the Shaikh hoped the 2 rivals would decide to co-operate.
 2. Sir J. Cadman to Oliphant, 31 December 1932, E25/12/91, and other correspondence on file 12/91, F.O.371/16835; and minutes and correspondence on E68301/121/91, F.O.371/16003.
 3. A.C.C. Parkinson, Colonial Office, to Political Resident, 2 March 1933, C.O.732/57/18119/40.
 4. Minute by Rendel, 9 June 1933, E3015/12/91, F.O.371/16836; and minute by K.R. Johnstone, 22 June 1933, E3253/12/91, F.O.371/16836.

rather unscrupulous American interests that our own people look like being pushed into a corner',¹ whilst Vansittart too was prepared to '...take on the U.S. [sic] Embassy...' if need be.² From being anxious at all costs to avoid possible American repercussions, the Foreign Office was now chafing at '...the unfortunate position in which we are in Koweit, where we are unable, owing to our pledges to the United States Government, to exert ourselves to defend our own best interests'.³

However, although undoubtedly the Foreign Office would still have vastly preferred to see the Kuwait concession go to Anglo-Persian or, failing this, the proposed Anglo-Persian/Gulf combination, it was still sufficiently concerned at the possibility of American protests to ensure that in any negotiations with the newly-formed Kuwait Oil Company over the required British safeguards, the terms imposed were not so onerous as to prevent a concession being signed. This might well have happened in view of the fact that the Admiralty wanted to bind the company to refine at least 50% of the oil produced in Kuwait or any British territory nearby, and to erect a refinery capable of producing fuel oil to Admiralty specifications - on the grounds that 'we feel that it would be a thousand pities if negotiations with the Company were allowed to break down on either of these points'.⁴ Nor would the Foreign

1. Minute by Craigie, 30 June 1933, and other minutes on E3446/12/91, F.O.371/16837.

2. Minute by Vansittart, 30 June 1933, on *ibid.*

3. Minute by Warner, 28 June 1933, E3462/167/91, F.O.371/16842.

4. Oliphant to Walton, India Office, 30 January 1934, E610/160/91, F.O.371/17807. The text of the agreement between the British Government and the Kuwait Oil Company as finally signed on 1 March 1934 is reproduced in Chisholm, pp.189-191.

Office consent to the India Office's desire to inform the Shaikh, in the event of negotiations with the Kuwait Oil Company breaking down, that any concession should go to interests that were at least partially British; when it was finally forced to agree, it insisted that the communication should be oral, rather than written, for whilst they

...saw no reason why we should be too complaisant to the Americans,...at the same time it was desirable to make every effort to avoid any statement which could be used against us by the U.S. [sic] Government and lead to further controversy and difficulty. 1

Nor, later that same year, would the Foreign Office give its support to a purely British company, Traders Ltd., politically supported by Lord Lloyd. The company involved was, in fact, apparently not very sound financially and commercially. In any event, by this stage (November/December 1934), the British Government was anxious to see the concession granted to the Kuwait Oil Company, and regarded themselves as committed to giving its consent to the grant of a concession to the Kuwait Oil Company if the Shaikh so wished.² Certainly, the eventual grant of a concession to the company, on 23 December 1934,³ brought to an end what had been a frustrating and tiresome sequence of events for the British Government.

To what extent the solution finally arrived at was in accord with the wishes of the Shaikh of Kuwait is extremely difficult to

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1. Minute by Rendel, 6 March 1934, E1201/160/91, F.O.371/17807, and further correspondence on the same reference. See also E1616/160/91, F.O.371/17808.
 2. E6972/E7065/E7099/E7143/E7289/E7570/160/91, F.O.371/17809 and 17810. Several documents relating to this incident are also reproduced by Chisholm, who discusses the incident fully. Chisholm, pp.53-76, 217-220 and 235-239.
 3. The text of the Concession Agreement, 23 December 1934, can be found in Chisholm, pp.242-249.

ascertain. A.H.T. Chisholm, the Anglo-Persian negotiator, hypothesized in a retrospective account written at the instigation of the Kuwait Government, that the Shaikh had from 1928 worked for the solution eventually reached - a joint Anglo-American enterprise - in order to secure United States political support. In the absence of official Kuwaiti records, it is impossible to substantiate this. Nor did the two other governments involved, those of Great Britain and the United States, have any accurate method of gauging the Shaikh's real feelings. They had, of course, to rely upon the opinion of their local representatives, which, on the whole, tended to reflect what the home government was likely to want to hear. Apart from one expression of impatience with the Anglo-Persian,¹ the Political Resident and the Political Agent strongly contended, at least in the initial stages, that the Shaikh favoured British interests, although, at a later date, they came to fear that the Shaikh was turning towards the Syndicate. However, in all his communications to the Gulf Oil Company, many of which were relayed to the American State Department, Frank Holmes maintained that the Shaikh favoured American interests, and would have granted a concession to the Syndicate in 1928 had it not been for the interference of the British Government.² The American missionaries in Kuwait, and hence the United States consul in Baghdad, believed strongly that

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1. Lieutenant-Colonel Biscoe, Political Resident, to A.C.C. Parkinson, Colonial Office, 26 May 1932, C.O.732/52/98019/32. Biscoe criticized Anglo-Persian for having, in the past, sought concessions simply to prevent other companies gaining a foothold in what it saw as its 'sphere of influence', the Persian Gulf.
 2. F.A. Leovy, Eastern Gulf, to the U.S. Secretary of State, 27 November 1931, and attached papers, 890B.6363 G.O.C./1, R.G.59, N.A.

the Shaikh was opposed to the Anglo-Persian Oil Company, and would welcome American involvement in his state.¹ Chisholm is probably accurate in asserting, however, that the Shaikh attempted to guide the negotiations to a far greater extent than the British Government would have desired.

Elsewhere in the Arabian peninsula, events were never to reach the stage of direct diplomatic confrontation between the British and American governments. However, the attitudes of both governments to the negotiations for oil concessions in Saudi Arabia, Muscat, and Qatar do throw light upon their general policies toward Arabian oil in the 1930s. Saudi Arabia was, of course, an unusual case in that by the 1930s neither government could claim political predominance,² and, in effect, the negotiations resolved themselves into an auction in which the Americans were prepared to make the higher bid. As a consequence, diplomatic interest in the negotiations tended to be low-key; the State Department, particularly, was much more exercised over the issue of whether to recognize the government of Saudi Arabia, a decision in which not only the commercial interests of the United States in that country, but also the stability - or otherwise - of the Saudi regime, particularly in the event of ibn Saud's death, had to be considered.³ Moreover, this discussion was initiated by a formal request from the Saudi government, rather than pressure

1. Sloan, Baghdad to U.S. Secretary of State, 8 July 1932, 890B.6363/43, R.G.59, N.A.

2. In the Treaty of Jeddah, 20 May 1927, Great Britain had recognized the absolute independence of King ibn Saud and had cancelled the 1915 Treaty. Hurewitz, II, pp.149-50.

3. See various documents on 890F.01 file, R.G.59, N.A.

from American oil companies, and was to result in formal recognition by the President in February 1931.¹ The subsequent negotiation of a formal Treaty of commerce and navigation was not in fact concluded until 7 November 1933, by which time the Socal concession had already been signed. It would not appear from State Department files that the negotiations were in any way initiated by the oil company.²

The role of the State Department in the obtaining of an oil concession was largely insignificant. Admittedly, the State Department had ensured that K.S. Twitchell was included on a list of possible mining experts supplied to the Finance Minister of Hejaz and Nejd,³ but thereafter gave him no extraordinary assistance,⁴ although Twitchell kept Wallace Murray of the Near Eastern Division well informed of the progress of negotiations.⁵ It was after the concession had actually been signed that Twitchell and Socal began to press the State Department to initiate the official representation of the United States in Jeddah, a request denied until May 1939, when the United States Minister at Cairo was also accredited to Saudi Arabia.⁶

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1. Memorandum by Murray on the question of the recognition of Nejd, 14 January 1931, 890F.01/24; U.S. Secretary of State to U.S. Embassy, London, 1 May 1931, 890F.01/34A, both in R.G.59, N.A.; and entry for 9 February 1931, Stimson Diaries, Vol.15, p.81, Stimson papers, Yale.
 2. See various documents on 711.90F/2, R.G.59, N.A.
 3. As Saudi Arabia was then known. See various documents, filed in 890F.63A/1, R.G.59, N.A.
 4. See correspondence on 890F.01/40A and 41, and 890F.6363 S.O. Co./4, R.G.59, N.A.
 5. See correspondence on the 890F.6363 S.O.Co. file; 846A.9111/51; 890F.00/43; 890F.51/10; 890F.6363 Iraq Petroleum Co./1; and 890B.6363/54, all in R.G.59, N.A.
 6. See in particular 890F.6363 S.O.Co./105-115; 124.90F/6; and 124.90B/1, all in R.G.59, N.A.

Had negotiations for the Hasa¹ concession taken place earlier, or had there been American rivals to Frank Holmes in 1923, British Government interest in the negotiations might have been greater. Ibn Saud was by 1930 no longer, however, the protégé of His Majesty's Government, and indeed was more likely to assert his independence by giving a concession to a non-British company. Moreover, the company finally involved as a rival to Socal, the IPC, included a sizeable foreign element. Thus, although the Foreign and Indian Offices were anxious to see the concession go to an at least partially British company, for 'If the Americans succeed in getting a firm footing there [Hasa] the whole political situation in the Gulf may be drastically affected',² they were also aware that they had no unusual political influence on ibn Saud. They did, however, have the consolation that '...we have no commitments to the Americans and, Saudi Arabia being an independent foreign country, we are free to back our own interests'.³ Sir A. Ryan, the British Minister, was therefore instructed not to give any support to Holmes, that 'jackal' of American interests. It may have been of some consolation to the Foreign Office that Holmes failed to renew his 1923 concession.

In Muscat, no oil concession was actually granted, but the 1930s were to witness an attempt by the State Department to use existing United States treaty rights so as to ensure that American

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1. The concession was to cover not the whole of ibn Saud's domain, but just the Hasa area.
 2. Minute by G.W. Pendel, 28 March 1933, on E1498/487/25, F.O.371/16870, and other documents in file 487/25, F.O.371/16870 and 16871.
 3. Minute by Warner, 10 April 1933, E1825/487/25, F.O.371/16870.

interests would be able to exploit Muscat oil if they so wished. The United States Treaty with Muscat was signed in 1833, at which date the Sultan had also controlled the important port of Zanzibar. In the twentieth century, therefore, the importance of this treaty was much diminished, especially in view of the fact that no American consul was appointed to the Sultanate, United States interests there being safeguarded by the British Political Agent. In 1930, however, the Sultan requested, via the British Government, that the United States Government should give the necessary consent for an increase in the tariff rate on imported goods.¹ The State Department decided to use this as an opportunity to negotiate a new treaty, on the 'most favoured nation' basis.² It was hoped to insert into the commerce clause the words 'industry and the granting of concessions', specifically with the possibility of oil in mind.³ Hence, the draft treaty sent by Stimson to Sir Ronald Lindsay, British Ambassador in Washington, included the provision that

Any advantage of whatsoever kind which may be enjoyed in Muscat and Oman by nationals of any other country in respect of commerce,,... and the prospecting for and utilization of natural resources shall be extended unconditionally to nationals of the United States of America, its territories and possessions. ⁴

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1. R.C. Lindsay, British Ambassador, Washington, to U.S. Secretary of State, 3 May 1930, 711.90A2/3, R.G.59, N.A. The consent of the U.S. was necessary since the 1833 Treaty required 5% to be the standard rate.
 2. Memorandum by Murray, 7 May 1930, 711.90A2/4; Memorandum from Treaty Division to Near Eastern Division, 711.90A2/5; and U.S. Secretary of State to British Ambassador, Washington, 23 May 1930, 711.90A2/6, all in R.G.59, N.A.
 3. Memorandum by the Treaty Division on the Treaty with Muscat, 22 September 1930, 711.90A2/13; and Memorandum from the Division of Near Eastern Affairs to Solicitor's Office, 23 September 1930, 711.90A2/14, both in R.G.59, N.A.
 4. Draft Treaty, enclosed in U.S. Secretary of State to British Ambassador, Washington, 4 October 1930, 711.90A2/16, R.G.59, N.A.

It was not until almost a year later that the United States received a reply from the British, stating that the State Council of Muscat did not wish to negotiate such a treaty, but merely to modify the existing Treaty by a simple exchange of notes.¹ Although this letter blamed the refusal on Muscat, the Americans clearly felt that the source of the difficulty was the British, who wished to retain their special rights. With the example of Bahrain before him, Murray pressed for the clarification of United States rights by a treaty and suggested, somewhat acidly, that if the British insisted upon retaining their special rights in Muscat, they should be willing to pay for them by providing the Sultan with the needed funds.² A reply was therefore sent, urging the negotiation of a treaty,³ but to no avail. Interestingly, given the concurrent dispute over Kuwait, the Foreign Office did not seem aware of, or concerned by, the State Department's manoeuvring to secure a sound basis for future oil negotiations,⁴ although the Political Resident in the Persian Gulf and the India Office referred explicitly to the possible oil complications that might result from the desired Treaty.⁵ Clearly, in the face of the British refusal to negotiate a new treaty, State Department persistence was impossible, but a new tactic now presented itself: the possibility of commemorating the centennial of the old treaty

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1. D.G. Osborne, British Minister, Washington, to U.S. Secretary of State, 9 September 1931, 711.90A2/18, R.G.59, N.A.
 2. Memorandum by Murray to Castle, 30 September 1931, 711.90A2/19, R.G.59, N.A.
 3. W.R. Castle to D.G. Osborne, British Minister, Washington, 10 October 1931, 711.90A2/20, R.G.59, N.A.
 4. File 4/91, F.O.371/15998.
 5. File 267/91, especially E2673/267/91, F.O.371/15276.

The treaty is now of little practical importance, but it does have a certain 'nuisance value' in restraining the British political agents from attempting to discriminate against us in that area.¹

This attitude was further urged on the Secretary of State by Murray a month later, this time with an explicit reference to oil:

Within the past two years...American concerns have shown a prominent interest in the Persian Gulf and two American organizations have obtained important petroleum concessions in that area. It is quite probable that their interests may later include the territory of Muscat.²

After considering various alternatives, it was decided to send the Minister Resident and Consul General at Baghdad, Paul Knabenshue, to visit the Sultan.³ During this visit, Knabenshue gained the impression that if an American company were to apply for permission to carry out a geological survey, it would be granted, although it is difficult to gauge whether the idea originated with Knabenshue, or the Sultan.⁴ However, there the matter seems to have rested, although at the time of the Sultan's visit to the United States in February 1938, it appeared that he had invited Socal to look into the petroleum possibilities of his territory.⁵ However, since these initiatives came to nothing, His Majesty's Government was not faced with the responsibility of responding to an application by an American company for an oil concession in Muscat.

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1. Memorandum by Wallace Murray on countries of the Arabian peninsula, 15 March 1933, 890B.00/198, R.G.59, N.A.
 2. Memorandum by Murray, 18 April 1933, 711.90A2/23, R.G.59, N.A.
 3. File 711.90A2/23-26A, R.G.59, N.A.
 4. P. Knabenshue to U.S. Secretary of State, 3 May 1934, 890A.6363/2, R.G.59, N.A.
 5. Memorandum to President Roosevelt, 19 February 1938, 890A.001/39A, R.G.59, N.A.

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The case of Qatar was more akin to that of Bahrain and Kuwait, for the Shaikh of that territory had, in 1923, signed an agreement not to grant an oil concession without the approval of the British Government. Several issues were to be involved: the 'Red Line' Agreement of the IPC; the Anglo-Persian view that the Persian Gulf area was within its 'sphere of influence'; and the question of the boundary to be drawn between ibn Saud's territories and those of Qatar. By 1932, Anglo-Persian was becoming interested in the Qatar peninsula: and the Foreign Office at least anticipated United States protests should a monopolistic concession be granted to the British company.¹ It was therefore anxious that His Majesty's Government should adopt in Qatar the same attitude as in Kuwait, of a fair field and no favour.² Yet again it was to come up against the India Office, which was still jealously guarding British dominance in the Gulf,³ and the Admiralty, which did not hesitate to express its opinion that

Viewing the Persian Gulf oil position as a whole, My Lords regard it as unfortunate that American interests should already have secured such a strong position on the fringes of what was formerly an exclusively British-developed area and should now be seeking to extend their influence in that part of the area which is strategically the most important to British interests. 4

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1. Extracts from notes of a meeting held at the Colonial Office, 15 September 1932, C.O.935/7, No.163, pp.152-3.
 2. File 3372/91 of 1932, F.O.371/16007.
 3. Thus, for example, the Political Resident resisted any thought of a U.S. consul being appointed in Bahrain, because of the power he would have as a consequence of American oil involvement. File 5255/91, F.O.371/16853. Moreover, the India Office opposed the desire of the Californian Arabian Standard Oil Company to survey its Saudi Arabian concession by air, because it would involve crossing the Persian Gulf states; thus the necessary British permission was withheld. File 150/91, F.O.371/17806.
 4. Admiralty to Foreign Office, 28 July 1932, E3836/3372/91, F.O.371/16007.

The Foreign Office remained cautious, urging that if Anglo-Persian were to be encouraged to apply for a concession, it should be involved from the very beginning, to avoid accusations that, as in Kuwait, the British Government was delaying negotiations with the Americans to allow time for Anglo-Persian to become involved.¹ Even when that company secured a two year option, the Foreign Office was anxious that it should actually carry out work on the concession, rather than use its option simply to exclude the Syndicate.²

In late 1933, the matter again came to the fore, as the Anglo-Persian option had either to be translated into a concession, or the field left open for another company. In the former case, under the terms of the Red Line Agreement, such a concession would have to be surrendered to the IPC, which included an American interest; this therefore seemed to provide the ideal solution. A problem would arise, however, if neither Anglo-Persian nor the IPC were interested, in which case there was bound to be a serious interdepartmental controversy in Whitehall. For, whilst

The Foreign Office had always made it clear that they were anxious to walk very carefully in this part of the world, so as to avoid an oil war with American oil interests over what was on a long view a relatively unimportant area. 3

most of the other departments concerned were determined to ensure that the spread of American influence in the Gulf was resisted and that, in the event of Anglo-Persian rejecting the concession,

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1. Minute by Warner, 6 August 1932, E3836/3372/91, F.O.371/16007.
 2. Correspondence and minutes on E4637/E5442/3372/91, F.O.371/16007; and file 156/91, F.O.371/16840 and 16841.
 3. Note by J.G. Laithwaite of a conversation on 15 December 1933 with G.W. Rendel, M.E.(O) 110, CAB.51/7.

it should be made plain to the Shaikh that at all costs the concession must go to a company at least partially British.¹ Given the backward character of the Trucial Coast, and the problems involved in protecting the lives and property of foreigners, the British had some grounds for moving carefully on the question of oil concessions, although, unfortunately, in view of Anglo-Persian's activities, they could hardly adopt the easy option of a blanket prohibition on surveying and prospecting. Nonetheless, Foreign Office fears of possible United States protest were at least alleviated by the option of utilizing this argument, although it continued to hope that Anglo-Persian would finally negotiate a concession for transference to the IPC,² subject to stringent safeguards to protect British interests.

By early 1934, an additional complication had arisen; namely, the territorial rivalries amongst the Arabian rulers, and, in particular, the desire of ibn Saud to establish hegemony over the Persian Gulf. He therefore hoped to assert his claims to Qatar, by ensuring that any oil concession in that state was held by the same company as held the Saudi Arabian concession - Socal.³ This created additional difficulties for the British, for if Saud should succeed, British political predominance in the Gulf would be seriously undermined. Moreover, the prospect of an all-American concession having been raised, the grant of a concession even to the partially American IPC might not escape United States protest.

1. Minutes of an interdepartmental meeting, 21 December 1933, E81/81/91, F.O.371/17798.

2. Minute by Craigie, 26 January 1934, and other minutes on E496/81/91, F.O.371/17798.

3. See various documents on M.E.(O)112, CAB.51/7.

The Government of India suggested that this latter complication might be avoided by offering the Shaikh full protection against attack in return for the grant of the concession to Anglo-Persian.¹ In the eyes of the Government of India, at least, the possibility of a Saudi-dominated Persian Gulf far outweighed the threat of United States diplomatic protest; and although such blatant intervention might well arouse the anger of the State Department, even the Foreign Office decided that such a risk might be taken:

Sir John Simon considers however that it should be possible to base a reasonably good answer to the United States Government upon the peculiar political situation in Qatar and upon the fact that the Iraq Petroleum Company is a company of international composition with United States participation, although he doubts whether the latter argument would in itself be accepted as valid by the United States Government. 2

Meanwhile, the Chiefs of Staff Sub-Committee began to consider the question of whether the British Government should give a guarantee of protection to the Shaikh of Qatar - a guarantee that might involve the British Government in a conflict with ibn Saud. Whilst agreeing in principle that any oil concession should go to a British company, the Chiefs of Staff were anxious to see a clear delineation of the nature of the commitment: and such a delineation was to be drastic, involving the limitation of the guarantee to unprovoked aggression; the exemption of endemic raiding; and the expression of the guarantee in general terms - probably to safeguard against it being used to force a solution of the disputed boundary between Saudi Arabia and Qatar.

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1. Government of India to Secretary of State for India, 20 January 1934, Appendix F to Enclosure No.1, M.E.(O)110, CAB.51/7.
 2. Foreign Office to India Office, 7 February 1934, Enclosure No.2, *ibid*.

But most sweeping of all was a suggestion that the guarantee should be dependent upon oil being found.¹ However, this last suggestion was strongly opposed by the India Office, which continued to advocate a less qualified guarantee of protection.² The matter was, therefore, referred to the Standing Official Sub-Committee for Middle East Questions, and on 23 February 1934, a meeting was held to discuss the issue.³ At this meeting the argument that it was safe to guarantee the Shaikh against major aggression, because the British Government would have to take action in any case, was accepted. However, there was less agreement on the possibility of making the guarantee dependent on oil being found, or exploited - not least because it was felt that if oil were not found, there was far less chance of the sort of aggression occurring which would activate the guarantee. Moreover, such a qualification, particularly if it were specifically linked to an IPC concession, was likely to result in the company losing the Qatar oilfield. This qualification was therefore dropped, although at a later meeting it was decided to inform the Shaikh that His Majesty's Government regarded Anglo-Persian's exploration licence as the first stage of a concession; this meant that Anglo-Persian had an exclusive option on any concession, and thus, until that company had decided whether to proceed with its licence, the Shaikh could not offer the concession to any other company.⁴ The Foreign Office

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1. Report by the Chiefs of Staff Sub-Committee, 16 February 1934, M.E.(O)110, CAB.51/7.
 2. Memorandum by the Secretary of State for India, 20 February 1934, C.P.49(34), CAB.24/247.
 3. Report of the 29th meeting of the Standing Official Sub Committee, 23 February 1934, M.E.(O) 29th Meeting, CAB.51/3.
 4. 31st Meeting of the Official Sub Committee, 12 April 1934, M.E.(O), 31st Meeting, CAB.51/3.

was little concerned with these discussions, its main interest being '...the question of ensuring fair play for American interests...', which it still regarded the American interest in the IPC as doing.¹

Ironically, it was not until after this decision had been taken that the State Department became alerted to the oil potential of Qatar, which was first brought to its attention as a consequence of relationships between Saudi Arabia and Qatar. Since Knabenshue hypothesized that Saud's attempt to extend his overlordship to the Shaikh of Qatar might take the form of extending the boundaries of Socal's Hasa concession to include Qatar,² it meant that American interests, and, hence, the State Department, might be involved. Socal was, indeed, already aware of the problem, and was probably also conscious of Knabenshue's own personal view that the British were determined to monopolize as much as possible in the Persian Gulf by, amongst other tactics, opposing the extension of American oil company activities. Once alerted, Wallace Murray moved fast to find out the true line of the boundary,³ only to find that this was apparently impossible to determine, queries in London being met with reference to the Foreign Office letter to the United States Embassy on 24 April 1934, in which had been set forth the British Government's claim to the 'blue line' boundary and a rebuttal of any claim by ibn Saud to territory in the British sphere of influence.⁴ The State

1. Minute by K.R. Johnstone, 20 January 1934, E448/189/91, F.O.371/17810.

2. P. Knabenshue to Murray, 27 June 1934, 790B.90F15/4, R.G.59, N.A.

3. Murray to Atherton, 9 August 1934, 790B.90F15/4, 6 & 7, R.G.59, N.A.

4. Memorandum by Alling, 2 November 1934, 890F.6363 S.O.Co/72, R.G.59, N.A.

Department did not choose the only option thus open to it, of giving ibn Saud moral support in claiming Qatar,¹ whilst Socal apparently decided not to fight the other American interests involved in the IPC,² which eventually accepted the Qatar concession. Thus, what had initially threatened to be a highly contentious question, threatening yet another 'oil war', was solved without direct diplomatic communication between the British and American Governments.

The protracted negotiations on the Bahrain, Qatar and especially the Kuwait concessions reveal very clearly the extent to which the wider issue of Anglo-American relations affected their eventual outcome. Although, in Bahrain, Great Britain was on weak ground in seeking to prevent American participation, in view of the fact that she had already exercised her prerogative of approving any concession, in Kuwait it should have been perfectly possible for the Colonial Office to insist upon the concession going to a British concern. That the American and British companies involved reached a commercial compromise, as was the case in Iraq, was fortunate, but a surrender had already been made to United States demands in the Foreign Office note of 9 April 1933, whilst even a perfectly justifiable award of the concession to the Anglo-Persian would undoubtedly have resulted in further American protests. Moreover, the Foreign Office was determined to ensure, both in Kuwait and in Qatar, that any decision taken was not only fair, but actually could be seen to be fair; this might have entailed discrimination against Anglo-Persian.

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1. P. Knabenshue to Wallace Murray, 27 November 1934, 790B.90F15/9, R.G.59, N.A.
 2. Leland B. Morris, Alexandria, Egypt, to U.S. Secretary of State, 17 April 1937, 890F.6363 S.O.Co./90, R.G.59, N.A.

The reasons for the surrender to American pressure were purely pragmatic, and took into account only the exigencies of British foreign policy. The long period of delay and uncertainty, during which Gulf could have commenced operations in Kuwait, was far from being in the best interests of that impoverished state; nor were the British authorities in the Gulf and Whitehall best pleased when the Shaikh attempted to utilize the commercial rivalry to his own advantage, by obtaining the best royalty terms possible. Moreover, although there was good reason to believe that initially the Shaikh was hostile to American involvement in his state, when his opinion apparently altered, the attitude of the British Government did not change.

It is, indeed, clearly apparent in examining the documents, that the decisions which permitted American involvement in the oil riches of the Persian Gulf were taken solely at the instigation of the Foreign Office, and with only the interests of British diplomacy in mind: notably, what was seen as the overriding importance of maintaining and improving good Anglo-American relations. To the Foreign Office, so significant was this aspect of international relations, that it was even prepared to override what the India Office regarded as the vital necessity of retaining British hegemony over the Persian Gulf, and the Admiralty's obsession with controlling strategically placed sources of crude oil. Although the Foreign Office's American Department, particularly R.C. Craigie, was to the fore in pressing for such an order of priority, the belief that in dealing with the Persian Gulf concessions all possible steps should be taken to avoid Anglo-American controversy was shared by men such as Rendel, head of the Eastern Department, Oliphant and Vansittart. Although

decisions were rarely referred to the Foreign Secretary, or the Cabinet, at the permanent official level it is apparent that the retention of United States friendship was seen as critical. It is particularly striking that Foreign Office determination was such that it was prepared to resist the outright opposition of other departments, not only the Admiralty but, more significantly, departments such as the India Office and Colonial Office, with far more experience of administration in the Gulf and, in the case of the India Office and the Government of India, accustomed to dictating policy there. An indication of the changing state of Anglo-American relations is the rapidity with which the Foreign Office acted to safeguard American interests, even before United States diplomatic representation; once the United States Embassy had begun its protests, the Foreign Office brought all the political pressure it could muster to bear upon the rest of Whitehall to ensure that these protests were met. This is markedly different from the situation prevailing in the early 1920s; at which point the flagrant abuses of diplomatic position in which Andrew Mellon indulged, so flagrant indeed that they alarmed and angered the State Department, would have drawn very cynical and caustic comments from Foreign Office officials. At the time, however, little comment was made upon this state of affairs, although at a later date Rendel commented that Mellon had abused his official position, and '...let it be understood that Anglo-American political relations would seriously suffer unless we secured to United States interests a very widely "open door" in the Gulf...'. But even at this late date, by which time Anglo-American relations were definitely deteriorating, Rendel carefully discriminated between Mellon's own activities and

the fact that 'I do not think we can say that the United States Government as such did more than uphold the well-established American motto in the Middle East "Opportunity without responsibility"...',¹ whilst another member of the Eastern Department, invited to comment upon possible British grievances with the United States, commented that

I do not know that we can really blame the U.S. Govt. [sic] for any support they may give to American oil interests in the Gulf, nor do we seem to have come into conflict with them recently.....it is inconvenient for us that American interests should have secured so large a foothold in the Gulf, but we can hardly consider it as a grievance.²

When one examines the role of the United States Government, especially the State Department, it becomes apparent that, on the surface at least, Foreign Office fears of another 'oil war' were perhaps a little exaggerated, for there does not appear to have been any great anxiety on the part of the State Department regarding the Persian Gulf oil concessions. Admittedly, whilst United States representations in the case of Bahrain were justifiable, insofar as they sought to prevent Americans being deprived of rights and options acquired in good faith by the whim and caprice of the British Government, acting without unassailable legal authority, the justification for United States Government intervention, on a formal diplomatic level, in the Kuwait concessions is a little less easy to comprehend. In Kuwait, unlike Iraq and Palestine, Great Britain was not pledged to prevent and forswear discrimination or monopoly; she was acting upon legal rights conferred upon her by the ruler of the state, and, initially, in accordance with his expressed wishes. Nor was she pledged to act towards the protectorates, as she was in the case of the

1. Minute by Rendel, 6 November 1934, on A8038/2280/45, F.O.371/17603.

2. Minute by K.R. Johnstone, 22 October 1934, on ibid.

mandates, selflessly for the good of the native population. No Americans had conflicting concessions in the state of Kuwait which the State Department could seek to uphold, although attempts to prevent American interests being discriminated against were perhaps justifiable. However, on the whole, the incident was an unwarranted expansion of the 'open door' philosophy.

What the incident did not represent, however, was a major cause célèbre in Anglo-American relations, or a major anti-British campaign on the part of the State Department. Interestingly, in view of President Hoover's forceful views on raw materials monopolies, and his role in the earlier 'oil war', he does not appear to have been involved in the controversy; nor was he apparently kept informed by Mellon.¹ The Secretary of State was only involved as a matter of courtesy in response to requests by Mellon. The member of the State Department most concerned, Wallace Murray, was sympathetic to the British position. In effect, State Department representations in both cases were less the consequence of any great suspicion of British bad faith, as the response to the pleadings of the interested oil companies. There was certainly no attempt by the State Department actually to stimulate American oil companies to investigate the potential of the Arabian peninsula, as there had been in Iraq. Indeed, the Department was frequently urged by the Gulf Oil Company to take far stronger action than it was in fact prepared to undertake.

1. This is, of course, difficult to assert with certainty. But there is no record in State Department files of Presidential involvement, nor could any evidence of it be traced in Hoover's own Presidential papers, wherein references to, or correspondence with, Andrew Mellon, were mostly of a purely formal nature. See, in particular, Presidential Personal File, PPF 653, 'Mellon, Andrew', Hoover Papers, H.H.P.L.

The company even attempted to dictate the kind of note it thought should be sent to the British Government. That the State Department was not particularly exercised by the issue is shown by the fact that Gulf was usually billed for telegrams sent. Although, insofar as can be discovered from State Department files, they were unaware of the Kuwait oil agreement with the British Government, the officials of the Near Eastern Division tended to be sympathetic towards Great Britain's special position in the Persian Gulf. Moreover, there was no sign of any 'fight for oil' mentality amongst American government officials. It was only when the State Department obtained the Petroleum Department memorandum comparing the two drafts, that it began to suspect British intentions. However, the impending change of administration, and Mellon's consequent loss of political influence, prevented the development of a major diplomatic controversy.

Thus, in Bahrain, and especially Kuwait, it was the urging of Gulf, and the intervention of Andrew Mellon, rather than any 'oil war' outlook, or the exigencies of Anglo-American relations, that dictated United States policy. However, the weapon used by the United States, insistence upon the 'open door', had little validity in the Middle East outside the mandated territories. The couching of all United States Government representations to the Foreign Office in general terms led the latter to assume that the matter was regarded with far more seriousness within the State Department than was in fact the case. Thus, in its anxiety to promote good Anglo-American relations, the Foreign Office instigated the policy within Whitehall that resulted in American interests completely controlling the Bahrain oilfield, and, more significantly, securing a 50% share in what was to become one of the richest oil fields of the world.

Chapter Seven

Conclusion

American views of the exact meaning of equal opportunity are apt to be peculiar. There is an undoubted feeling that British and other foreign oil prospectors have had a long start and that American concerns ought to receive some preferential treatment enabling them to catch up. 1

During the interwar period, the State Department ensured that American oil companies received that 'preferential treatment' in the Middle East, to such effect that by 1939 the Americans enjoyed a substantial stake in the Middle Eastern oilfields, especially in what we now know to be the highly lucrative oilfields of Arabia. For the most part, the United States achieved this by a rigid insistence upon the open door which she extended from its original limited Far Eastern application, first to the mandated territories, and then beyond that into the British protectorates of the Persian Gulf.

Her maintenance of the open door principle was, however, strictly limited. As J.C. Clarke, head of the British Petroleum Department commented, in practice it 'only means an open door for Americans and closed doors for others...'.² In effect, once an American company had secured an interest in any oilfield, little concern was expressed as to whether the nationals of other countries had an opportunity to participate. This was clearly demonstrated by the State Department's refusal to criticize the terms of Sinclair's North Persian draft concession; whilst, in Iraq, Hoover's suggestion for an international conference was

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1. Despatch from R. Chilton, Washington D.C., to Foreign Office, 31 January 1924, E1046/386/34, F.O.371/10143.
 2. J.C. Clarke to L. Oliphant, 2 August 1923, E7955/91/65, F.O.371/8994.

rejected by Millspaugh, on the grounds that other nationalities, such as the Italians and the Japanese, might then demand a share of the oil.¹ Nor were the Americans, in return for the oil concessions they received, prepared to undertake political responsibilities in the Middle East. George Rendel, head of the Foreign Office's Eastern Department, summed it up thus:

...the U.S. Govt [sic] are always particularly faithful, in the Middle East, to the U.S. national motto: "Opportunity without responsibility".²

The American ability to create and exploit such opportunity was particularly striking, given that the United States was never at war with Turkey, and hence had no status in the negotiation of the peace treaties. Nor was she a member of the League of Nations, which in theory administered the mandate system.

It has been demonstrated by many American historians that the United States, in the interwar period, was pursuing a policy of economic expansion.³ In the Middle East, the door was forcefully pushed open for American citizens, despite British opposition, to enter the oilfields of Iraq, Persia, Palestine, Kuwait, Bahrain and Qatar. In order to achieve this, the American State Department was prepared to use all the means at its disposal, including the encouragement of Persian nationalism, the obstruction of the mandates, and the careful timing of diplomatic Notes to the British Government (this was especially true in the case of the notes delivered in November 1920 and

1. See Chapters 3 and 5.

2. Minute by Rendel, 29 September 1933, on E5576/5255/91, F.O.371/16853.

3. Wilson, American Business; Parrini; and William Appleman Williams, The Tragedy of American Diplomacy (2nd edn., New York, 1972), ch.4.

November 1921). In the 1930s the Department was less determined in its pursuit of Arabian oil, its diplomatic initiatives being largely in response to the requests of interested oil companies. It was, however, prepared to manipulate its policy on the Muscat Treaty and customs duties in order to create the opportunity for American oil companies to obtain oil concessions in Muscat should they so wish. As a consequence of Department action, by 1939 a sizeable American presence had been created in an area vital to Britain's strategic interests, and one where, in 1918, she had appeared to reign supreme. The British had, moreover, surrendered what would have been an invaluable asset for the oil-starved British Empire.

Previous studies of British oil policy in the Middle East have tended to concentrate upon the influence of Middle Eastern strategy and the overriding importance of oil:¹ they have ignored the backdrop of Anglo-American relations, which also greatly affected the evolution of British policy towards the oil resources of the Middle East. What emerges very strongly from a detailed study of the British decision-making process whereby the Americans were admitted to participation in those resources, is that these decisions cannot be fully understood without an appreciation, firstly of British sensitivity to the state of Anglo-American relations; and, secondly, of the power of the United States, despite her 'isolationism', to affect events in an area such as the Middle East, far removed from her own traditional sphere of influence.

1. Mejcher, Imperial Quest; and Davis, British Oil Policy.

A careful examination of the critical period towards the end of 1921 in all three areas of Anglo-American oil controversy - Palestine, Iraq and North Persia - reveals clearly how the United States influenced those decisions. It does not appear that the British, at least, regarded the solutions in these three areas as part of a comprehensive settlement, as DeNovo suggests,¹ although decisions in one case tended to influence, or be somewhat artificially linked, to others. In North Persia, the Foreign Office decided to welcome a policy of commercial co-operation with the Americans, partly in order to make a virtue out of necessity, but also in the hope of enlisting United States support in an area vulnerable to Russian expansion. Elsewhere, the position was less clear-cut. It was largely at the instigation of the Colonial Office that the principle of American participation in the Iraqi and Palestinian oilfields was accepted. The change of policy on Palestine was directly motivated by a desire to placate the United States. Decisions taken in the sphere of Iraq, however, were more complex, and owed as much to the need for a speedy implementation of the mandate, and the efficient utilization of Iraq's natural resources, so as to minimize the cost to the British taxpayer, as with the desire to secure an Anglo-American rapprochement. Nonetheless, American participation in the Turkish Petroleum Company was still conceded as a consequence of United States insistence, which was effectively preventing the issue of the mandate; whilst American support was thought by some to be a factor in the anti-British feeling prevalent within Turkey and Iraq. In all the discussions on American participation, there was a tendency to accept it as ultimately inevitable.

1. DeNovo, American Interests, p.285.

In a later era, the protracted negotiations for the Bahrain and especially the Kuwait concessions reveal very clearly the extent to which considerations of Anglo-American relations affected their eventual outcome. Despite the fact that, as P.M. Roberts of the Foreign Office acknowledged, 'Our policy in Arabia is that of the closed door',¹ the Americans prevailed. In Kuwait, it should have been perfectly possible for the Colonial Office to insist upon the concession going to a British concern. That the American and British companies involved reached a commercial compromise, as was the case in Iraq, was fortunate, but a surrender had already been made to American demands in the Note of 9 April 1933. The reasons for this surrender were purely pragmatic, and took into account only the exigencies of British foreign policy.

A critical part of that policy was the cultivation of friendship with the United States: so critical, in fact, that Whitehall was to ignore - or, more accurately, overcome - a legacy of irritation with the United States, caused by the reaction of that country to the Anglo-Persian Agreement; the tone and content of the Note of 20 November 1920 (which in typical Wilsonian fashion, addressed itself to the loftier ideal of the mandatory principle, rather than the sordid subject of oil); and the deliberate delay caused to the mandates for Palestine and Iraq, in order to achieve American participation in their oilfields. As a consequence of the 1919-1921 'oil war' the British were to misread State Department protests over the Persian Gulf concessions in the early 1930s. As has been demonstrated, the main reason for permitting the grant of concessions to American oil companies was to avoid Anglo-American

1. Minute by P.M. Roberts, 2 December 1931, E5355/267/91, F.O.371/15276.

controversy at a critical time. Thus, despite the apparent 'isolationism' of the United States, her latent power was sufficient to so influence British Government policy in the 1920s and 1930s as to achieve for United States nationals a substantial share in the vast Middle Eastern oil resources, despite the apparent British hegemony and predominance in that region after the First World War.

Yet to be discussed, however, is why Great Britain conceded so much in order to placate a country which had apparently withdrawn into isolationism. A useful summary of the answer is provided in an important memorandum written for the Cabinet by R.L. Craigie, head of the American Department of the Foreign Office. Although written in 1928, most of its contents have relevance for the entire interwar period.¹ Craigie commenced by outlining the fluctuating course of Anglo-American relations since the end of the war. A rapid deterioration in relationships until 1920 was succeeded by a period of steady improvement during the years 1920-1923, during which time a number of controversial issues were settled (including the Mesopotamian oil question). This led into two halcyon years of good will, only to be followed, after 1925, by a steady decline in relationships; this decline, he maintained, had to be halted and reversed. Making the heretical statement that 'Except as a figure of speech, war is not unthinkable between the two countries', Craigie proceeded to outline the reasons which made good relations between the two countries so imperative. These included the size, wealth

1. Memo by R.L. Craigie, 12 November 1928, C.P.344(28), CAB.24/198.

and technical ability of the United States; the importance of good Anglo-American relations to the Dominions; trade; and above all finance, in which area 'good relations with the United States are for this country so valuable as to be almost essential'. Craigie pointed out that '...the actual advantages which [Americans] derive from good relations with Great Britain are patent only to a relatively small and thoughtful minority' and therefore the responsibility for maintaining good relationships had to be British. After pointing to what he saw as the natural tendency for Anglo-American relations to deteriorate, Craigie nonetheless concluded that 'British co-operation with the United States can never be easy, but, within limits, it is far from being impossible'.

There was, of course, an alternative: that of taking the United States at its word, as being isolationist, excluding her from European affairs, and proceeding to settle outstanding questions without regard to American desires or interests. Craigie's discussion of this alternative - in fact, as he concluded, no alternative at all - reveals clearly, not only that the United States was incapable of pursuing a completely isolationist policy vis-à-vis Europe, but also that her significance in European affairs was such that Great Britain in particular could not afford to ignore or antagonise her. As Craigie argued, the major outstanding issues of the day, such as naval disarmament, belligerent rights, reparations and inter-allied debts - all of them vital to Great Britain - simply could not be solved without consideration of, and consultation with, the United States.

The history of Middle Eastern oil concessions in the interwar period demonstrates clearly that American policymakers, far from pursuing a strict isolationism, were actively promoting economic expansion abroad by the mechanism of the open door. An examination

of the British decision making process which resulted in the opening of the Middle Eastern door to American oil companies reveals clearly that the pre-eminent position achieved in the Middle East by the United States was not fortuitous, nor simply the consequence of American expertise and economic power, but represented a conscious and deliberate attempt by the British to placate the United States by allowing her citizens free access to oilfields that were strategically vital to Great Britain. This was not the only issue on which Great Britain attempted to win the friendship of the United States:

We, on our side, terminated the Japanese Alliance, to some extent at least hoping for closer relations with the United States; we took on an onerous debt settlement, and the Irish settlement, though of course reached irrespective of the United States, was at least of a nature to remove or minimise one previous source of friction. We have agreed to parity not only in battleships but in all smaller vessels,...

To this could, of course, be added the oil controversy. The pro-American Vansittart then proceeded to argue, from the vantage point of 1934, that British conciliation had, in fact, been to no avail: the Americans, far from reciprocating, were showing an increased tendency to cut even their already limited world responsibilities. He sadly concluded that his desire to see the United States and Great Britain together keeping the peace of the world was unlikely to be fulfilled, and that surrendering to United States pressure seemed a pointless exercise: 'In aging I have lost my wind for running after the United States Government. It is a futile paper-chase'.¹

This same United States unwillingness to participate in the responsibilities, as opposed to the opportunities, of world power

1. Vansittart to Ronald Lindsay, 24 September 1934, A9942/2280/45, F.O.371/17603.

was clearly apparent in the Middle East. Whilst demanding for her citizens full access to the petroleum resources, the United States refused to accept any formal responsibility for the maintenance of stability in Persia; rejected categorically any suggestions that she should assume mandatory responsibilities in the Middle East; and would not even lend her political support to the Anglo-American syndicates which sought oil concessions, having once ensured that American interests, in one guise or another, were guaranteed a share in those concessions. Whilst recognizing Great Britain's 'special position' in the Middle East to the extent of allowing her to assume political - and frequently economic - responsibility for its most disturbed and troublesome areas, the State Department refused to allow Great Britain to reap the rewards of her labours, in the guise of a secure oil supply for her fleet.

In the event, the British desire to enlist the support of the United States in the maintenance of order, and as a bulwark against the Bolsheviks in the Middle East, by virtue of her commercial interests there, was to come to fruition, when the events of the Second World War and after threatened the vital American oil supply.¹ However, by then the British power and influence in the Middle East - both political and economic - was in rapid decline. As was so often the case, whilst seeking to promote Anglo-American co-operation, Great Britain was in fact paving the way for her eventual replacement by the United States. In the words of Vansittart, it was 'a futile paper-chase'.

1. See John A. DeNovo, 'The Culbertson Economic Mission and Anglo-American Tensions in the Middle East, 1944-1945', Journal of American History 63 (1976-7), pp.913-936; and Burton I. Kaufman, 'Mideast Multinational Oil, U.S. Foreign Policy and Antitrust: the 1950s', Journal of American History 63 (1976-7), pp.937-959.

Appendix I

The Oil Companies: Nomenclature and Structure

(1) Nomenclature of the oil companies

Many of the major companies mentioned in this thesis changed their names, or composition, at least once in the course of the twentieth century. The policy of nomenclature followed in the text is described below.

Anglo-Persian Oil Company

In 1935 the name of this company was changed, at the request of Shah Reza Pahlevi, to the Anglo-Iranian Oil Company. Since 1954, following the Abadan crisis, it has been known as British Petroleum. Throughout the thesis, the name used is that employed at the time under discussion.

Abbreviations

Anglo-Persian, or APOC.

Anglo-Iranian, or AIOC.

Turkish Petroleum Company

In 1927, the name of this company was changed to the Iraq Petroleum Company. The appropriate name is used according to date.

Abbreviations

TPC.

IPC.

Royal Dutch - Shell Group

Before 1907, the Royal Dutch Company and the Shell Transport and Trading Company were entirely separate, legally, and are referred to as such, although from 1903 they co-operated informally in their markets East of Suez through the Asiatic Petroleum Company.

After 1907, however, the two companies officially merged in a

60/40 partnership (Shell being the junior partner), operating through a gradually increasing network of subsidiary companies. Although the parent companies were ostensibly merely holding companies, in effect they controlled the policy of the whole group. Therefore, the term 'Royal Dutch-Shell' is used to denote the policy or action of the entire network of subsidiary companies, which in Shell publications are often referred to collectively as 'The Group'. When specific reference is made to the activities of one of the subsidiaries, it is of course referred to by name.

Standard Oil

When discussing the period before 1911, 'Standard Oil' is used to refer to the large number of companies brought together by various legal devices to form one large combine. After this date, however, the dissolution of the 'trust' forced the formation of several independent companies, and these must be regarded and treated as separate entities, referred to individually by name. It should however be pointed out that in the 1920s many writers continued to use the term 'Standard Oil', either to denote just the old parent company, Standard Oil Company, (New Jersey), or in general terms, to imply that the Trust, although legally dissolved, continued to operate through voluntary and informal co-operation between the various companies. Except in citations from contemporary sources, which frequently employ the vague term 'Standard Oil', this thesis is careful to make plain which of the various Standard Oil companies is meant.

Abbreviations

Jersey Standard.	Standard Oil Company (New Jersey).
Socony.	Standard Oil Company of New York.
Socal.	Standard Oil Company (California).

(2) Oil Company Subsidiaries

The major oil companies discussed in this thesis all operated through the medium of a large number of subsidiaries. Underneath will be found a list of the main subsidiaries, especially those operating in the Middle East, except where such subsidiaries are so named as to make it easily apparent to which company they belonged. It should be stressed however that this is in no way a complete list. The year in which the subsidiary was formed is placed in brackets after the name.

Anglo-Persian Oil Company

D'Arcy Exploration Company Ltd. (1914):	the prospecting company of APOC.
First Exploitation Company Ltd. (1903):	formed to exploit APOC's rights in Persia.
Khanaquin Oil Company Ltd. (1925):	formed to take over oil bearing properties on the borders of Persia and Iraq.
North Persia Oils Ltd. (1920):	formed to acquire from APOC and Russo-Persian Naphtha Company a so-called government concession over the five northern provinces of Persia.
British Petroleum Company Ltd. (1917):	Previously a German company. Dis- tributors of oil in the U.K. After 1954, the name was used for the parent company.
Consolidated Petroleum Company Ltd. (1928):	Joint APOC/Royal Dutch-Shell company formed to co-operate in distri- bution throughout the Middle Eastern area.

Royal Dutch-Shell Company

It should be emphasised that the Group controlled a very large number of subsidiaries, of which the undermentioned are only a small proportion.

Royal Dutch Company for the
Working of Petroleum in
the Netherlands East
Indies (1890):

originally a production,
refining and marketing company,
after 1907 it became the
Netherlands holding company.

Shell Transport and
Trading Company (1898):

Originally a transport, refining
and distributing company, it
became after 1907 the English
equivalent to the Royal Dutch
Company, holding shares in the
proportion of 40/60.

Bataafsche Petroleum
Maatschappij (1907):

The Dutch operating company, to
which was transferred 60% of
the assets of Shell and Royal
Dutch.

Anglo-Saxon Petroleum
Company Ltd. (1907):

The English operating company to
which was transferred 40% of
the assets of the Royal Dutch
and Shell.

Asiatic Petroleum
Company Ltd. (1903):

Originally a joint marketing
company for Shell, Royal Dutch
and the Rothschilds, it later
became a production company.

Roxana Petroleum)
Corporation (1917))
Shell Company of)
California (1915))
Shell Union Oil)
Corporation (1922))

Companies operating in the
United States of America.

American Companies

Rather than attempt to provide a comprehensive list of Jersey
Standard subsidiaries, most of which operate solely within the
United States, underneath will be found a description of the
American oil companies involved in the Middle East, and their
most important subsidiaries.

Standard Oil Company
(New Jersey) (1882):

Specialised in refining and
domestic marketing, though
later became a vertically
integrated company. After 1899,
the central company in the
Standard Oil combine.

Anglo-American Oil
Company Ltd. (1888):

Importer and marketer of Standard
Oil in the U.K., with its own
fleet of tankers. After 1911
disaffiliated from Jersey
Standard, but continued to trade
in their oil.

Standard Oil Company of New York (1882):	Until 1911 its major functions were refining, transportation, and domestic and foreign marketing, especially in the Far East. After 1911 attempted to integrate vertically.
Vacuum Oil Company (1860s):	Originally an independent. Brought within the Standard Oil combine, its major functions were refining, marketing, and dealing in speciality products. After 1931 it combined with Socony, and is thereafter referred to as the Socony-Vacuum Oil Corporation.
Standard Oil Company California: Purchased by S.O. in 1900. Given name in 1906.	Originally a purely domestic producer, but secured concessions in Bahrain and Saudi Arabia.
The Bahrain Petroleum Company Ltd. (1932):	Canadian subsidiary of Socal and later the Texas Company, to operate in Bahrain Island.
California Arabian Standard Oil Company. (Later named the Arabian American Oil Company after Texas Company joined in 1936)(1933):	Exploration, producing and refining in Saudi Arabia.
The Texas Company (1902):	Fully integrated independent company, with extensive marketing facilities abroad. After 1936 gradually combined with Socal to form the 'Caltex' companies for producing and marketing outside the United States.
Gulf Oil Corporation (1907):	Fully integrated independent company, associated with the Mellon interests.
Sinclair Oil and Refining Company (1916):	Formed by the merger of some of the larger field refiners and non-integrated producers in the mid-Continent. Organised by Harry F. Sinclair.

Sources:-

Compiled from Walter Skinner, The Oil and Petroleum Manual (from 1928, The Oil and Petroleum Year Book)(London, annual, 1918-); Ralph and Muriel Hidy, Pioneering in Big Business: The History of the Standard Oil Company (New Jersey) 1882-1911 (New York, 1955); and G.S. Gibb and E.H. Knowlton, The Resurgent Years: The History of the Standard Oil Company (New Jersey) 1911-1927 (New York, 1956).

Appendix II

Notes on the administration of Middle Eastern policy in the British and United States Governments, 1918-1934

The general organization and administration of international relations in the British and American governments is well documented and discussed elsewhere, and it is not therefore proposed to provide such a general outline here. However, certain specific aspects of the structure of Middle Eastern policy administration in both governments did influence the process of decision making in the matter of oil. The following are seen as particularly significant, and will be discussed in more detail below:-

(A) The internal organization of the United States State Department, and the nature and size of its Near Eastern Division.

(B) The State Department's diplomatic and consular representation in the Middle East in the interwar period.

(C) The allocation of departmental responsibility for British Middle Eastern policy between the Colonial Office, Foreign Office and India Office in the years following the First World War.

Section A: The Department of State, and its Division of Near Eastern Affairs

The political head of the Department of State, and the man usually in charge of the foreign policy of the United States of America, (depending to large degree upon the will of the President), was the Secretary of State. In the direction of general policy he was assisted primarily by the Under Secretary of State, who for most of this period was the able and widely experienced William Phillips. The Assistant Secretaries of State, whose number varied, were generally responsible for the direction of administration and personnel, but their terms of reference could be altered to meet

current needs. In 1933, for example, of the four Assistant Secretaries of State, one had specific responsibility for political legal questions and another for Latin American questions.

For the detailed conduct of business, the Department was subdivided into a number of divisions, or offices, each under a Chief of Division, and, occasionally, an Assistant Chief. The Divisions fell into two separate categories, general branches usually concerned with general administration and questions of personnel, and geographic branches which were largely responsible for the evolution of policy and the direction of correspondence relating to one particular region. Amongst the former category were the Office of the Legal Adviser, the Office of the Economic Adviser, the Treaty Division, the Passport Division, the Division of Protocol and Conferences, the Office of the Historical Adviser, the Division of Current Information (to handle relations with the press), the Division of Communications and Records (for indexing, filing, etc., etc.), and various other divisions with responsibility for translation, accounts, visas for foreign service personnel, etc.

Most of these divisions were, however, primarily concerned either with administration or with the provision of specialist information for members of the State Department or the Foreign Service on matters of law, economics, treaties, history, et.al. The vast majority of correspondence from consular and diplomatic posts, or regarding the conduct of foreign policy, was directed in the first instance to the relevant geographical division, which was usually staffed in part by men with some experience in that particular geographical area. These divisions consisted of:-

- Latin American Affairs (created 19 November 1909).
- Mexican Affairs (created 28 July 1915 and ended in 1937).
- Eastern European Affairs (created 13 August 1919 and ended in 1937).
- Far Eastern Affairs (created 20 March 1908).
- Western European Affairs (created 13 December 1909).
- Near Eastern Affairs (created 13 December 1909).

It was this last division which, in conjunction with the Office of the Economic Adviser, and to some extent the Division of Western European Affairs, had responsibility for Middle East oil in the interwar years.

One point which must always be borne in mind when considering American foreign policy immediately after the First World War is the very recent adoption of a geographical approach to the organization of State Department business. Before 1908, when the growing importance of China had led to the creation of the first geographical division, (Far Eastern Affairs), the State Department had been somewhat amateurish in approach, and very badly organized.¹ In 1918, therefore, the Near Eastern Division could draw upon only ten years of experience, during most of which period the Near and Middle East had been disrupted by war. This must have contributed to the apparent lack of any coherent American policy towards the Middle East in 1918 (other than the vague expression of 'self-determination' and an emotionally based support for an independent Armenia).

The Division of Near Eastern Affairs

Compared with the rest of the geographical divisions of the State Department (excepting only that for Mexican Affairs) the Near Eastern Division was the smallest in personnel. Particularly in the later part of the interwar period, most of the officers comprising the Division had spent some time in the Near East (or were drafting officers with no consular or diplomatic service), but it was far from unusual for a man with no experience whatsoever of the Near or Middle East to be assigned to the Division, especially

1. The Reminiscences of William Phillips (1951), pp.28-35, in the Oral History collection of Columbia University.

in the years immediately following the First World War. Warren Robbins, Acting Chief of the Division in 1921, had obtained all his experience in Latin America.

During the 1920s and 1930s, the personnel of the Division increased gradually from 3 to 9. This small body of men had to supervise and direct the conduct of diplomatic and consular relations, both political and economic, with Afghanistan, Albania, Bulgaria, Egypt, Anglo-Egyptian Sudan, Ethiopia, Greece, Iraq, Palestine, Transjordan, Persia, Rumania, Saudi Arabia and the other countries of the Arabian Peninsula, Syria, Lebanon, Turkey, and Yugoslavia. By 1937 the Division had the added responsibility of handling U.S. relations with all of Africa excluding only the Union of South Africa and Algeria.

The Near Eastern Division was far from being the only State Department Division to be involved in Middle East oil. Indeed, if any one man were to be described as petroleum expert, it would have to be A.C. Millspaugh, of the Office of the Foreign Trade Adviser. Not only that Office, but the Office of the Solicitor, and the Division of Western European Affairs, took an interest in the various facets of the oil situation. Yet because of the size and complexity of these various divisions, the Near Eastern Division was the only one to be involved as an entity in the consideration of policy. As such, therefore, it occupied an important part in the conduct of oil diplomacy, particularly in the Persian Gulf controversies of the 1930s.

The smallness of the Near Eastern Division, and the immense geographical spread of its area of responsibility, may be, in part at least, responsible for some of the aspects of oil policy formation discussed in the text; such as the tendency to rely

heavily on the interested oil companies for information; the role of those companies in initiating, and to a large extent determining, the scope and nature of State Department action (this is especially true in the case of the Persian Gulf concessions); and the disappointing nature of the State Department archives for research into policy formation.¹ Minutes on incoming correspondence were few and far between; and memoranda were more usually prepared as factual summaries of despatches received to date, rather than to express opinion. It is also difficult to discern to what extent members of the State Department endorsed the views of their diplomats, since occasionally even the most outrageously biased reports failed to elicit any reaction in Washington.

This highlights another significant aspect of United States diplomacy; that the role of most of the Foreign Service Officers, especially in areas of only minor interest to the United States (such as the Middle East), was solely that of observer and reporter. Few of the American representatives in the Middle East played a direct role in policy making, at least whilst serving in the field. It was on the basis of their reports, however, that many State Department decisions were taken, and it is therefore necessary to appreciate the scope of American representation in the Middle East.

Section B: The Representation of the Department of State in the Middle East

In 1918, official American representation in the Near and Middle East was in turmoil. Although never at war with Turkey, in 1917 the United States had broken off diplomatic relations,

1. Although this problem was by no means confined to those records originating in the Near Eastern Division.

and hence had withdrawn the staff of her Embassy and consulates in the Ottoman Empire. The consulates at Cairo, Aden, and Muscat, being outside the Empire, were unaffected, although that at Muscat was closed down in the course of the war, being almost valueless even in peacetime. Persia, being officially neutral, also continued diplomatic relations with the United States, but the tumultuous conditions in the whole of Persia, particularly the North, meant that those United States officials who remained in the country had to concentrate on the protection of American lives and property.

Clearly, following the Armistice of Mudros, it was essential that the United States should take steps to re-establish her missions in a way that was in keeping with the rapidly changing circumstances of the post-war years. In general, however, the State Department was slow to respond to events, even to the establishment of a flourishing American oil industry in the region. Following the example of other Powers, the United States in 1919 appointed a High Commissioner, Admiral Mark Bristol, to look after American interests in what had been the Ottoman Empire pending the resumption of normal diplomatic relations with Turkey, which, in the case of the United States, was not until 1927. Initially, the High Commission was solely responsible for the entire area of the ex-Ottoman Empire; this meant that for regions outside the immediate environs of Constantinople and Anatolia, such as Iraq, the information relayed to the Department was sparse, and frequently based on rumour and complaint, rather than impartial observation.

On 23 October 1919 a consul, Thomas Owens, was posted to Baghdad. An indication of the unimportance attached to this appointment by the Department is that no mention of there being a consular post in Iraq was made in the Register of the Department of

State until 1921, by which time Addison Southard had just been appointed first consul to Jerusalem. Since however the United States did not recognize the mandatory regime, nor the continuance of Ottoman rule, in the two countries of Iraq and Palestine, it is perhaps hardly surprising that the State Department was slow to admit their at least partial recognition of the status quo. In the event, the Baghdad and Jerusalem consulates were listed in the Register, not under 'Great Britain' (as were Egypt and Aden), nor under 'Turkey', but under 'Iraq' and 'Palestine' respectively.

By 1921, therefore, despite the outstanding question of recognition by the United States of the new Middle Eastern governments, the pattern of consular and diplomatic representation there had been established. Constantinople was to remain the major political reporting centre. The traditional areas of American interests were comparatively well represented; in Egypt, with its important missionary and cotton links, by missions at Cairo, Alexandria and Port Said; in Persia, by a very small diplomatic legation, and consulates in Teheran and, occasionally, Bushire and Tabriz, to protect the large number of American missionaries and their converts, and the very small amount of trade; and in Syria and the Lebanon, traditional centres of American educational and humanitarian work in the Middle East, by consuls and/or vice consuls in Aleppo, Beirut and Damascus.

Thus, the periphery of the Middle East (those areas most accessible in the past to missionaries and trade) was fairly well covered by American diplomats and consuls. Beyond this fringe, however, in the areas of British mandatory and protective powers, American representation was much sparser. In sum, it amounted to consular posts in Jerusalem, Baghdad and Aden, with an occasional

consular agent in Basra, less than in the time of the Sublime Porte. Rarely did the number of full-time consular officials in any of these towns exceed two, at least until the late 1930s, when the Jerusalem consulate-general had a staff of five, presumably to look after American interests in an area of increasing tension. In 1932, following Iraqi independence, the consulate in Baghdad was raised to the status of Legation, and the consul in charge, A. Sloan, was given the rank of chargé until such time as he could exchange posts with Paul Knabenshue in Jerusalem, who became the United States' first minister resident and consul general in Iraq. The new legation had a staff of only three Third Secretaries, all of whom doubled as vice-consuls.

At first sight the almost impossibly large areas assigned to each consulate seem absurd, yet during the early 1920s there was some justification for this. Other than the diplomatic controversy over Iraqi oil, which concerned the British, not the Iraqi, Government, the United States' main interest in the Middle East was to protect American citizens and their property. Until oil companies actually commenced operations in the Middle East in the late 1920s, most of the American citizens were missionaries and doctors, engaged in humanitarian work. In cases such as this, where no active competition was involved, the British had always been willing to protect American interests where possible, refusing on occasion to permit Americans to proceed into areas of danger where they could not guarantee such protection.¹ The prestige and power of the British in the Persian Gulf and the Arabian peninsula,

1. John Randolph (Baghdad) to U.S. Secretary of State, 2 February 1929, file 890B.00/98, R.G. 59, N.A., M722/7. There were some problems relating to such protection in 1929 (significantly, perhaps, at a time when Persian Gulf oil was the subject of dispute between Great Britain and the United States), but this small contretemps soon blew over. See 890B.00/documents 99 and ff., R.G.59, N.A.

and after 1918 in Iraq and Palestine, was such that they were far more likely to be successful in protecting American citizens than the Americans themselves. The Department of State was, therefore, content to keep only a very few men on the ground, in order to report upon British activities and local politics, and occasionally to offer protection and assistance to Americans. The consulate at Baghdad, with official responsibility for Iraq, the Arabian peninsula, (in common with the Aden consulate), and the Persian Gulf, was able to fulfil its duties quite adequately through an occasional trip by one of the consuls to the Persian Gulf, usually followed by reports very akin to a travelogue, and infrequent correspondence with missionaries scattered throughout the area.¹

With the coming of the oil concession hunters, this position changed. Britons and Americans were now in direct competition; and the point at issue was frequently the extent to which diplomatic pressure could be brought to bear upon an illiterate Shaikh, accustomed to following British advice, and with no American representative at his court. The total lack of U.S. representation in the Persian Gulf led to the peculiar characteristics of the oil negotiations in Bahrain, Kuwait, and Saudi Arabia, where Frank Holmes, as oil company representative, had to exert political pressure and persuasion upon the local rulers to counteract that of the British diplomatic officials, whilst the United States Government had to seek, at a diplomatic level, to obtain promises from the British Government that the latter would not use their pre-eminent position unfairly.² Had the American Government been

1. See, for example, A. Sloan (Baghdad) to the U.S. Secretary of State, 23 July 1931, 846B.00/1, R.G.59, N.A., and for earlier reports, 890B.00/86 $\frac{1}{2}$, 841.3390G/-, 1, & 2, 790B.90G/8 and 166.151/46, R.G.59, N.A. Interest in the Persian Gulf States in the early 1920s was virtually non-existent.

~~2. See Chapter 6.~~

better represented in the Persian Gulf, the dispute might have remained on the local level.

Even with the influx, on a comparatively large scale, of American oil drillers, and American oil companies with expensive property requiring protection, the State Department did not make any attempt to expand its representation in the Arabian peninsula. This may have been partly due to the extremely harsh climate of the region, but almost certainly, in large part at least, it was the result of the atmosphere of increasing financial stringency in the early 1930s which made even occasional trips to the Gulf by American consuls almost prohibitive.¹ The consul at Baghdad was thus almost entirely dependent upon missionary letters and the occasional passing visits of oil company men for his reports upon the situation in Gulf countries.² It might, of course, have proved difficult for the United States to obtain the necessary British permission to establish a consular post actually in Bahrain or Kuwait, but in Muscat or Bushire (Persia), their hands would have been free. No steps were taken, however, whilst in the case of Saudi Arabia, Socal's importunate pleas that a United States Minister be appointed to Jeddah were rejected, on the grounds that United States interests were insufficient to warrant such a move, until immediately prior to the Second World War.³ The United States thus moved into an era of vital oil interests with representation but little changed from that of the pre 1914 era.

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1. A trip by Paul Knabenshue was finally authorized in 1934, but for the great discussion that preceded this see the various documents on 711.90A2/23, R.G.59, N.A.
 2. See various correspondence in the bound files of the Iraq Legation. Confidential Correspondence of the American Legation in Baghdad, 1933, Baghdad, Vol.I, R.G.84, N.A. See also files 846B.6363 and 890B.6363, R.G.59, N.A.
 3. See files 890F.00, 890 F.001, 890F.01, and 124.90B/1, R.G.59, N.A.

It may thus be surmised that the nature of United States consular and diplomatic representation in the Middle East was probably an important factor in the United States' Government's decision to pursue oil questions directly with the British Government rather than through local rulers, especially in the case of the Persian Gulf States.

Section C: The Allocation of Departmental Responsibility for British Middle Eastern Policy

Great Britain had in 1914 a well established and comprehensive network of Embassies and Consulates throughout the Middle East, supplemented by the Government of India's system of Political Residents and Political Agents operating in 'spheres of influence' (such as the Persian Gulf). The India Office and the Eastern Department of the Foreign Office had, in addition, a long tradition of, and experience in, policy formation and implementation in the Near and Middle East. It is not, therefore, proposed to examine the nature, size and organization of Whitehall administration. However, a new structure of departmental responsibility was made necessary after 1918, in order to respond to the breakup of the Ottoman Empire, and Britain's assumption of the mandatory role in Iraq and Palestine. This was to lead to the formation of a new 'Middle East Department' within the Colonial Office on 1 March 1921, and that Office's assumption, for the first time, of responsibilities within the Middle East region. This was to be of great significance in the history of Middle Eastern oil, and Anglo-American diplomatic disputes concerning it.

Responsibility for British policy in the Middle East before 1914 had traditionally been divided between the Foreign Office, whose interest lay in conducting H.M. Government's relations with

the Ottoman Empire and Persia, and in safeguarding the Red Sea and the Suez Canal; and the Government of India, which exercised a virtual protectorate over the internationally insignificant Arabian littoral of the Persian Gulf, through the Political Resident at Bushire and his Political Agents.

While the fluid situation created in the Arabian peninsula and 'Turkey in Asia' following the Sublime Porte's declaration of war in November 1914 did not change this traditional alignment of responsibility, it rapidly revealed its incompatibility with the new Middle East. In an attempt to dominate the future rulers of Arabia, the Foreign Office, through the High Commission and the Arab Bureau in Cairo, supported the Arab Revolt and the concept of a post-war Sharifian (or Hashemite) Arab State, whilst the Government of India and the India Office subsidized Sharif Hussain's traditional rival, Ibn Saud. An added complication was the entry of the War Office into the region, with not only the Imperial forces in the Middle East, but also the military administration of Occupied Enemy Territory, under its direct command. By 1918, all three departments were immediately responsible for the administration of ex-Ottoman territory. The Foreign Office continued to run Egypt, by now a protectorate, whilst the military administration of Palestine and Syria at the end of the war was under War Office direction. The India Office, meanwhile, through an imported Anglo-Indian bureaucracy, had controlled the Mesopotamian region since the capture of the Basra vilayet in 1914.

The lack of any coherent direction in the Middle East was paralleled in London, where no single department was responsible for overall Middle Eastern policy. As a result of this proliferation of authorities, Great Britain emerged in 1918 with a number

of conflicting commitments,¹ the impact of which was to bedevil British policy in the Middle East throughout the interwar period. However, although it was already apparent in 1918 that central direction of Middle Eastern affairs was required from Whitehall, the Government continued to let the matter drift, probably in part because no single department was immediately suitable for the multifarious skills of administration, strategy and diplomacy that were required. The Foreign Office, War Office and India Office/Government of India, therefore, all continued with their separate policies. Clearly, in this confused situation, rival jurisdictions prohibited a coherent and consistent policy, and as a consequence embarrassing mistakes, of the kind which were to exacerbate the diplomatic problem of oil,² could and did occur.

By 1920, frustration at the delay and uncertainty surrounding the allocation and implementation of the mandates was demonstrated in outbreaks of violence throughout the Middle East,³ whilst demands grew amongst sections of the British press for reduced expenditure in the Middle East, if not total withdrawal of all British troops.⁴ Meanwhile, by the San Remo Agreement of April 1920, the mandates, albeit not ratified by the League of Nations,

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1. Notably the Sykes-Picot Agreement of 1916, the Balfour Declaration of 1917, and the promises made to the Arabs in the bewildering and ambiguous McMahon-Hussain correspondence. See Chapter 1.
 2. See Chapters 2 and 4.
 3. On 8 March 1920 the General Syrian Congress proclaimed the independence of Syria (including Palestine), and named Faisal King of Syria and his brother, Abdullah, King of Iraq. In April, Arab attacks on Jews in Jerusalem created an explosive situation, and after a long period of political unrest, by May an uprising had begun in Iraq. See an excellent summary in 'Report by the High Commissioner on the Development of Iraq 1920-5', Confidential Print, Middle East No. 11, C.O.935/1, and 'Annual Report of the Civil Administration in Palestine 1920-1', enclosed in High Commissioner, Palestine to Secretary of State for the Colonies, 30 July 1921, C.O. 733/4/411441.

4. Mejcher, Imperial Quest, pp.71-74.

had been allocated between Britain and France, and the British area of responsibility delimited. In this unsettled atmosphere, the Cabinet debate on a new structure of Whitehall responsibility began, but was plagued by disagreement between the departments involved, so that it was not until 31 December 1920 that a decision was finally taken that the Colonial Office should be responsible for the administration of the mandatory territories, the details of timetable and procedure to be worked out by an interdepartmental committee.¹

As the decision stood, however, division of control would still have been endemic, with the Colonial Office responsible for Iraq and Palestine, the Foreign Office for Egypt, and relations with Persia, Turkey, Syria and the Hejaz, and the Government of India and the India Office for the Arabian peninsula, including relations with Ibn Saud and the Gulf protectorates. This problem clearly exercised the interdepartmental committee, appointed by the Prime Minister on 11 January 1921, and headed by Sir James Masterton-Smith, later Permanent Under-Secretary of the Colonial Office. In their report, submitted to Winston Churchill on 1 February 1921,² they argued strongly that the new department should, subject to certain qualifications regarding the Kingdom of Hejaz, formulate policy for the whole of the Arabian peninsula. However, for financial reasons, they did not suggest any alterations in the system whereby policy toward the Arabian peninsula was conducted through the Political Resident in the Persian Gulf, and his Political Agents; they were to be appointed as before by the

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1. For the Cabinet debate, see C.P.320, CAB 24/106, C.P.1402 and 1434, CAB 24/107, C.P.1512, CAB 24/108 and Cabinet Conclusions, 82nd Meeting, 31 December 1920, 4(a)(c)(d), CAB 23/23; Klieman, pp.87-90; and Helmut Mejcher, 'British Middle East Policy - the Interdepartmental level 1917-1921', Journal of Contemporary History, 8 (London, 1973), pp.81-101.
 2. The report is given verbatim in Appendix I of Middle East No.1, C.O.935/1. See also various papers on the report, C.O.732/3/8389.

Government of India, but were to communicate directly with the Colonial Office on matters affecting the Arabian littoral.

Henceforth, the control of the Government of India was to be confined to administrative and purely local matters, with the prior concurrence of the Colonial Office being obtained to anything of political significance, whilst the Colonial Office was to conduct all His Majesty's Government's relations with Ibn Saud.

In summary, therefore, the Masterton-Smith committee recommended that the Colonial Office should be responsible for both administration and policy in Iraq and Palestine; policy in other Arab areas within the British sphere of influence; the delimitation of boundaries between British mandates and the territories of independent Arab rulers; and accountability for all Imperial civil and military expenditure in the Middle East. Despite the protests of Lord Curzon, the Cabinet approved the report in principle,¹ and on 1 March 1921 the new Middle East Department of the Colonial Office took up its new responsibilities.

However, despite this wide assumption of responsibility, the Colonial Office was to remain critically dependent upon other Whitehall departments for vital information. The Eastern Department of the Foreign Office retained considerable responsibility for Middle Eastern policy, conducting all relations with Syria, Persia, Egypt and Turkey, not to mention diplomatic controversies relating to the mandated territories themselves.² The Government of India, moreover, continued to administer Aden (as opposed to

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1. Conclusions of a meeting held on 14 February 1921, Cab 7(21), attached to C.O. 732/3/8389.
 2. The Colonial Office handed over responsibility for relations with Iraq to the Foreign Office in 1932, whilst Transjordan and Palestine obtained independence in 1946 and 1948 respectively.

the Aden Protectorate), and appointed the British representatives in the Persian Gulf through whom the Colonial Office worked.¹ Unlike normal Colonial Office practice, therefore, where consultation with other home departments was kept to a minimum, on the Middle East frequent interdepartmental communication was necessary, both on an informal level and, after 1930, through the Middle East Official Sub Committee of the Committee of Imperial Defence.

Meanwhile, within the Colonial Office, the Cabinet decision necessitated major changes, in particular the formation of an entirely new 'Middle East Department', under an Assistant Under-Secretary, and staffed by officials drawn largely from other Whitehall departments, or with experience of the administration of Occupied Enemy Territory. Many of these officials were, however, only 'temporarily seconded' from their original departments, in order to emphasize the temporary nature of the new department, and its limited personnel.² This original staff represented an impressive range of talents and disciplines, many with first hand experience of the wartime Middle East.³ However, the remarkable concentration within the department of men with detailed knowledge and experience of the area for which they were responsible was a rare quality in the interwar Colonial Office, and tended to die out even within the Middle East Department after 1924, from which date most of its staff were drawn from the permanent officials of the Colonial Office. It is possible that this bias towards colonial, rather than Middle Eastern, experience was partly responsible for the rigid attitude taken by the Colonial Office towards American participation in the oil industry of the Persian Gulf.

1. On 1 January 1934 the India Office resumed responsibility for the Persian Gulf states.

2. See the various papers on C.O.732/3/9439. 'Temporarily seconded' officials included J.E. Shuckburgh (India Office), H.W. Young (Foreign Office), and R.V. Vernon (Treasury).

3. Such as H.W. Young, R.W. Bullard, S.M. Campbell, G.L.M. Clauson, Lieutenant-Colonel R. Meinertzhagen, and T.E. Lawrence.

Appendix III: The World Oil Industry 1918-1935

The interwar years were a time of rapid change and development for the major oil companies, a new era for the oil industry having been inaugurated by the First World War. The vastly increased consumption of oil products, and the growing realization amongst the governments of the world that petroleum was of vast strategic, as well as economic significance, gave the major multinational companies a new role, and importance. In the years which followed, a dramatic rise in production, made possible both by the vast new oilfields discovered throughout the world, and by greatly improved scientific knowledge and method, changed the oil industry significantly. In 1934, Sir Henri Deterding could look back on his early days with the Royal Dutch in 1896, and call it 'a world vastly different and, indeed, unrecognisable from the oil world of today'.¹

The period under review in this appendix can be divided roughly into three. The first era, from 1918-1921, was a time of rapidly increasing demand for oil products, coupled with the possibility of a shortage of crude oil with which to meet it. The main problems were therefore ones of finding new sources of production, if possible near existing markets, and of developing a modern technology to meet the changing pattern of demand. The second period, from 1922 to 1932, is dominated by the chronic overproduction which afflicted the United States oil industry, and its inevitable world wide effects, such as falling prices, cut throat competition, and price wars. Gradually, however, in the years after the depression, a new era began, dominated by static, if not falling demand, in which the oil companies and Western governments, realising the inevitable consequences of competition, moved slowly but firmly towards a comprehensive policy of co-operation, both national and international.

1. Sir Henri Deterding (as told to Sir Stanley Naylor), An International Oilman (London, 1934), (hereafter Deterding), p.40.

Oil company policy in the interwar period, however, not only responded to the particular stimulus of the crucial balance between supply and demand; it also still took into account factors first apparent before 1914. Different though the post-war oil industry was from its pre-war antecedents, it is vital to understand something of the inherited problems which faced the major companies, and how these problems - and, indeed, these companies - had developed.

The oil industry in 1919 was still comparatively young; it had been instituted by the first successful drilling of an oil well in Titusville, Pennsylvania, by Colonel E.H. Drake, on 28 August 1859.¹ Although initially, in the mining boom which followed, small firms had proliferated, lack of capital and chaotic business conditions drove many of them out of business,² whilst the more successful inaugurated a drive towards co-operation and consolidation. The most well known of these, the Standard Oil combination led by John D. Rockefeller, had by the 1870s established a firm hold on the transportation and refining of crude oil, and hence the export of refined products, that was not to be challenged on a large scale, either at home or abroad, until the turn of the century.³

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1. Petroleum had, of course, been known (through surface seepage) and used since antiquity, but with the decision to seek it by the drilling of wells, it became possible to obtain it in large enough amounts to support commercial exploitation. For an account of the circumstances leading up to the first drilling of a well specifically to find oil, see Harold F. Williamson and Arnold P. Daum, The American Petroleum Industry: The Age of Illumination 1859-1899 (Evanston, 1959), (hereafter Williamson and Daum, The Age of Illumination); pp.63-80; and Paul H. Giddens, The Early Petroleum Industry (New York, 1938), (hereafter Giddens), pp.30-61.
 2. Ibid., pp.62-196; and Williamson and Daum, The Age of Illumination, pp.79-114.
 3. Allan Nevins, Study in Power: John D. Rockefeller, Industrialist and Philanthropist 2 vols. (New York, 1953), (hereafter Nevins), I, pp.77-94; Ralph and Muriel Hidy, Pioneering in Big Business: The History of Standard Oil Company (New Jersey) 1882-1911 (New York, 1955), (hereafter Hidy and Hidy), pp.9-40; and Williamson and Daum, The Age of Illumination, pp.343-368 and ff. A useful discussion of Standard Oil policy and its implications can be found in P.H. Frankel, Essentials of Petroleum: A Key to Oil Economics (2nd edition, London, 1969).

Once refined into kerosene, (paraffin), the primary use of oil was as an illuminant.¹ However, the domestic market was quickly saturated by the flush production of the early 1860s,² and from as early as 1861 export of both crude and refined oil became a vital part of the American oil industry. As production rose dramatically in the train of speculative booms and wild-cattings,³ so did the export drive, until in 1866 exports exceeded domestic consumption for the first time.⁴ Apart from the Scottish shale industry, the American oil exporters faced no real competition, and soon their trade was world wide, although concentrated largely in Europe. With no control over the rate of production, Standard Oil developed the policy which it was to maintain throughout the pre-war period, of using the export market as a means of balancing supply and demand within the United States (the major consumer of oil products), rather than attempting to regulate production in the United States itself.

In 1883, however, the completion of the Baku-Batum railway gave the ten year old Russian petroleum industry an outlet on to the Black Sea, enabling it to challenge what had by now become

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1. Williamson and Daum, The Age of Illumination, pp.27-63; and Giddens, pp.18-29.
 2. Estimates of production in 1860 vary between 200,000 barrels and 500,000 barrels. By 1861, this had reached 2 million barrels, by 1862 approximately 3 million barrels. Williamson and Daum, The Age of Illumination, pp.103 and 117.
 3. In 1870-1 production surpassed 5 million barrels, by 1873 it reached nearly 10 million. Ibid., p.117. The dramatic rises in production of the 1860s and 1870s, and consequent falls in prices, were to become characteristic of the oil industry. Ibid., pp.135-163; and Giddens, pp.75-83. For a history of the domestic oil industry before 1914, see John Ise, The United States Oil Policy (New Haven, 1928), (hereafter Ise), pp.1-105 and passim.
 4. Williamson and Daum, The Age of Illumination, Table 13.1, p.322. Table 13.2, p.325 and Table 13.5, p.332.

the Standard Oil monopoly in the Far East and Europe.¹ At first the American company seemed able to meet the competition through a judicious mixture of co-operation and aggressive marketing techniques,² following its usual policy of making agreements with the Russians when its supply of oil was short, and engaging in price cutting wars at times of overproduction in the United States. In 1888, however, the year in which the proportion of world oil produced by the United States sank to 53%, the company abandoned its traditional method of marketing through foreign agents who bought oil in the United States, and began instead to form foreign affiliates, before taking, for the first time, a more direct part in the export trade.³

In the 1890s the threat to Standard Oil supremacy was increased when two new companies emerged. Marcus Samuel, through the latter day Shell,⁴ was able to launch a powerful attack upon the virtual Standard Oil monopoly in the Far East, through use of low cost bulk transport.⁵ In 1890, meanwhile, a new company was formed in Holland, the Royal Dutch,⁶ which commenced production in the Dutch East Indies. By virtue of its proximity to the Eastern markets,

1. Ibid., pp.632-663. In 1899, Russia produced 51.9% of the world's oil. Nevins, II, pp.96-128.

2. Hidy and Hidy, p.130.

3. Ibid., pp.144-154.

4. The Shell Transport and Trading Company did not operate under that name until 1897. Before this, it was merely an adjunct of the general business of Marcus Samuel & Co., operated through the Tank Syndicate, and acted as a transport and trading company for Rothschild's Russian oil. For details, see Robert Henriques, Marcus Samuel, 1st Viscount Bearsted: Founder of 'Shell Transport and Trading Company' 1853-1927 (London, 1960), (hereafter Henriques).

5. Ibid., pp.81-122.

6. The full name was The Royal Dutch Company for the Working of Petroleum Wells in the Netherlands Indies.

the Company was able to undersell the Standard Oil Company, which was forced to recognize the undoubted advantages of local production.¹ The Royal Dutch from the start followed the antithesis of Standard Oil policy, laying stress on producing its own oil, and above all relying on co-operation and merger rather than ruthless competition and take overs.² Despite attempts by the Standard Oil Company to buy both these companies,³ they continued to prosper, and in the first decade of the twentieth century, the two companies combined, first informally through the Asiatic Petroleum Company, and then through the Royal Dutch-Shell network of subsidiary companies.⁴ This continued to challenge Standard Oil on a wider scale, by a dynamic policy of expansion outside the Far East, into Europe, the Middle East, South America, and, even, into the traditional Standard Oil stronghold, the United States.⁵

By 1914, Deterding controlled virtually a world-wide organisation, ensuring that he had local production wherever possible to supply any new markets. Attempts by Standard Oil to follow Deterding's policy of widespread production, in part as a consequence of fear of an impending shortage of oil in the United States, were unsuccessful except in Roumania; whilst the discovery of prolific new fields in the United States in the years following

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1. Hidy and Hidy, pp.261-268.
 2. For a discussion of Deterding's views and Royal Dutch policy, see Deterding, pp.45-79; P.H. Frankel, op.cit., pp.89-95; and Dr. F.C. Gerretson, History of the Royal Dutch, 4 vols., (Leiden, 1958), (hereafter Gerretson).
 3. Henriques, pp.140-3, 178-83, and 364-373; Gerretson, I, pp.280-286, and II, pp.40-79; and Hidy and Hidy, pp.263-265 & 502.
 4. In 1907, the alliance between Royal Dutch and Shell was turned into an amalgamation. Henriques, pp.306-495.
 5. Gerretson, III and IV; Deterding, pp.79-89 and 95-102; and Kendall Beaton, Enterprise in Oil: A History of Shell in the United States (New York, 1957), pp.56-145, and passim.

1901 reinforced still further the Standard Oil policy of relying almost entirely on American produced oil.¹

By 1914, therefore, Royal Dutch-Shell's world-wide organisation, based as far as possible upon the 'straight line',² and Standard Oil's continuing reliance upon American production, together with its treatment of the export market as an adjunct of the domestic one, were already established patterns; patterns that were to play an important part in the companies' attitudes after 1919. Moreover, the first fifteen years of the twentieth century also witnessed several developments which were intensified after 1918, and were to prove crucial to the oil industry in the long term. Undoubtedly, the change in the pattern of demand was the most far reaching. After 1908, consumption of kerosene, hitherto petroleum's most important refined product, declined due to the competition of gas and electricity; however, the period after 1899 was to see the rapid growth of automobiles,³ particularly after their manufacture was revolutionized by Ford's application of mass production techniques to his Model T car.⁴ This was to increase substantially demand for a hitherto little used fraction, gasoline. Oil fired

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1. Hidy and Hidy, pp.261-8 and 494-529. See also H.F. Williamson et.al., The American Petroleum Industry: The Age of Energy (Evanston, 1963), (hereafter Williamson et.al., The Age of Energy), pp.15-28.
 2. That is, that the company should perform as many as possible of the functions involved in the finding and producing of oil, and all subsequent operations up to its reaching the consumer, with the minimum of delay, implying that it must try to sell, insofar as was possible, in the markets nearest to its oil producing fields. Deterding, pp.49-52.
 3. For registrations of automobiles in the United States, by far the main market, and consumption of gasoline, see Bureau of the Census, Historical Statistics of the United States: Colonial Times to 1957 (Washington, 1960), p.462.
 4. Allan Nevins, Ford: The Times, the Man, the Company (New York, 1954).

ships, which had immense strategic advantages,¹ although little used in the world merchant marine,² became an important factor in the naval policies of many world governments. With the arrival of the industry in what has been called its 'age of energy',³ new sources of demand had opened up which seemed to offer far more scope for the expansion of the oil business.

Concurrently with the rapid growth in demand, new and important areas of production began to be discovered, offering great promise of ample future supplies. In 1901, the famous 'Spindletop Gusher' opened the massive Texas field, whilst the discovery of other new fields in Kansas, Cleveland, Oklahoma and California removed, at least in the short term, threats of a shortage of crude oil in the United States. Meanwhile, two entirely new regions were opened up for oil exploitation.

The success of the D'Arcy concession in Persia, which was exploited after 1909 by the newly organised Anglo-Persian Oil Company Ltd.⁴ demonstrated the importance of the Middle East as an oil producing region, although the obstruction of the Ottoman Government towards the would be concessionaires in Asiatic Turkey hindered its development. In 1901, moreover, Mexico gradually emerged as an oil region; a scramble developed amongst the oil companies for concessions in South America, which was regarded as the most promising area for new exploitation. The production of crude oil was becoming truly world-wide.

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1. For a summary of the reasons in favour of oil-fired ships, see Winston Churchill, The World Crisis, 5 vols., (London, 1923-1929), I, pp.130-5.
 2. In 1919, of the entire world merchant marine, only 12.7% was oil burning, either through steam or diesel.
 3. Williamson et.al., The Age of Energy.
 4. The text of the concession can be found in Hurewitz, I, pp.249-251. See also Stocking, pp.3-11; Mikdashi, pp.9-15; Longrigg, Oil, pp.14-18; and Longhurst, pp.17-20.

In 1911, another event which was to have important repercussions in determining company policy after 1918 took place. With the dissolution of the Standard Oil combine in that year,¹ the Standard Oil Company (New Jersey), although still the largest oil company in the United States, found itself left with heavy refining capacity, but very little producing or marketing ability, and thus very much dependent on independents. This led to a widespread search for company controlled production, both at home and abroad,² to supply its massive refineries and meet its heavy world-wide marketing commitments. In view of the dynamic expansionist policy of Royal Dutch-Shell, conflict was inevitable; whilst in the United States the growing strength of the independents, and indeed the now dissolved Standard Oil companies, meant Jersey Standard now faced increasing challenge in its hitherto invulnerable stronghold.

The outlook in 1914 was one of dynamism and expansion, both in demand and in company growth. Moreover, adequate supplies seemed secure, as new areas of potential production opened in South America and the Middle East, and new fields were discovered in the United States. Over-production, which was to pose such a serious problem to the oil industry in the 1920s, had been prevalent

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1. See Hidy and Hidy, pp.709-13; and Nevins, II, pp.356-387.
 2. A.S. Gibb and E.H. Knowlton, The Resurgent Years: The History of Standard Oil (New Jersey) 1911-1927 (New York, 1956), (hereafter Gibb and Knowlton), pp.76-108. Without government aid, however, coupled with being late in the field, the Company was unsuccessful in Mexico, and met with very little success in the Dutch East Indies and Peru. Even after 7 years, in 1918, Jersey Standard produced less than 25% of the crude oil it processed.

in the United States throughout the previous 50 years;¹ but whilst it did have some impact, demonstrated by bitter price wars of the 1890s and 1900s, as Standard Oil fought to find a market for surplus United States oil, American over-production had not the wide repercussions that it was to have in the interwar years. Nevertheless it did serve to emphasise the advantages of foreign production, where a field could be controlled by one company, and operated according to market demand, a policy the Anglo-Persian was following successfully in Persia. Royal Dutch-Shell had already secured world-wide production to serve their marketing needs; but the lack of success distinguishing Standard Oil's attempts to obtain foreign production did not bode well for them in the future. With a pattern of bitter competition between two massive companies, Jersey Standard and Royal Dutch-Shell, and a new company, Anglo-Persian, still largely unproved but with the unique distinction of being controlled by the British Government, the stage was set for the interwar years; and the dynamism that the first 14 years of the century had demonstrated was to be greatly accelerated by the First World War, and was to lead, in the post-war period, to a situation of overgrowth.

Although Lord Curzon's famous statement that 'The Allies floated to victory on a sea of oil',² may be somewhat exaggerated, there can be no doubt that the First World War had a dramatic and long lasting effect upon the oil industry. The leading British petroleum newspaper stated that 'without a doubt the late war

1. For the reasons leading to overproduction, see Note A at the end of this Appendix.

2. Longhurst, p.54.

raised petroleum to a much higher level than it had occupied previously',¹ and this is clearly apparent from the dramatic rise in imports of petroleum products into the United Kingdom during the war years.²

Despite the British Government's investment in the Anglo-Persian Oil Company in 1914, supposedly to ensure a guaranteed source of supply for the British Navy,³ it nonetheless found itself increasingly reliant upon the multinational companies which hitherto it had castigated as being foreign and hence unreliable. Although Anglo-Persian was to increase its output greatly in the war years,⁴ it could not possibly hope to fulfil all the needs of the British Admiralty;⁵ moreover the larger distance from Persia to the United Kingdom offset what were seen as the disadvantages of depending upon American oil.

Despite its designation as 'foreign', the Royal Dutch-Shell combine was to prove immensely valuable to the British Government

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1. 'The Petroleum Industry's Growing Importance: A Retrospect of 1919', 10 January 1920, Petroleum Times III (1920), p.35.
 2. Great Britain's purchases of petroleum fuel oil rose from 48 million gallons (approximately 1.37 million barrels) in 1912 to 842,356,800 gallons in 1918 (approximately 24.07 million barrels), the vast majority of which came from the United States and Mexico. 'Sources of Supplies of Petroleum', 29 March 1919, The Economist LXXXVIII, p.513; and Petroleum Times I (1919), p.5.
 3. Marion Jack, 'The Purchase of the British Government's Shares in the British Petroleum Company, 1912-14', Past and Present 39 (1968), pp.139-168; and Chapter 1 above.
 4. In the year ended 31 March 1914 Anglo-Persian produced 273,635 long tons (1,915,445 barrels); in the year ending 31 March 1919 this figure had risen to 1,106,415 long tons (7,744,905 barrels). These figures of course refer to crude oil. Anglo-Iranian Oil Company, Our Industry (2nd edn., London, 1949), p.343.
 5. By 1918, the imports of fuel oil, most of which went to the Admiralty, were over 24 million barrels.

during the war years. Its British subsidiary, Anglo-Saxon, behaved, according to Henriques, like 'a government service.... with the interests of its shareholders totally subordinated to those of the Armed Forces'.¹ Its efforts were indeed great; voluntarily relinquishing its fleet of tankers to the Admiralty at pre-war charter rates, it then willingly exceeded its contractual obligations at great cost to itself. However, even the efforts of Shell were insufficient to meet the growing demands of the Allies, and American oil became of increased importance. Although the Americans were initially angered by British seizure of their tankers, many of these were soon released to carry on the vital petroleum trade, which was to be greatly stimulated by the war demand.² Although sales of kerosene declined, exports of fuel oil by American companies rose by over 130 per cent, and of gasoline by over 220 per cent, in the years up to 1917. With the declaration of war on Germany by the United States, supplies by American companies to the Allies became of increasing importance, especially since the declaration in April 1917 coincided with a time of grave shortage of fuel oil in the Allied countries, which threatened the immobilization of the British Grand Fleet.³ Acting

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1. R. Henriques, Sir Robert Waley Cohen 1877-1952 (London, 1966), p.185. For a (possibly overfavourable) account of the part played by Shell in the war, see *ibid.*, pp.184-243, and Henriques, Marcus Samuel, pp.591-677. Cohen and Henri Deterding were knighted after the war for their services, whilst in June 1921, Sir Marcus Samuel was given a peerage.
 2. For the increase in exports and production during the war years, see Table A below. For a discussion of the role of the American oil industry during the war, see Williamson et.al., The Age of Energy, pp.261-294; and Gibb and Knowlton, pp.221-245.
 3. *Ibid.*, pp.224-5; and Williamson et.al., The Age of Energy, p.272.

in co-operation with the United States federal government,¹ the American industry stepped up production, so that in the years 1917 and 1918, according to Williamson, they supplied 'the bulk of the petroleum needs of the Allies and the United States military and naval forces',² even altering their manufacturing procedures in the large East Coast refineries in order to supply the high grade fuel oil demanded by the British Admiralty.³ However, inter-company rivalries continued, especially over trade with the Far East.⁴

The 1914-18 war can be seen as an important turning point in the history of the oil industry. Its most important effect was to involve national governments to a far greater degree in what had hitherto largely been regarded as a purely commercial undertaking. Above all, the war had brought to the realization of the governments of the world the vital necessity of oil products as a strategic resource. The trend already observable before the war in Great Britain, Germany and the Netherlands, for governments to protect what oil reserves they possessed, and support their nationals in the search for oil reserves abroad, was to be

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1. This co-operation initiated a new era in company/government relations. In March 1917, an advisory committee on petroleum was set up under the Council of National Defence, which was composed of oil businessmen, and helped organize allocations, production, etc. In July 1917 this was replaced by the National Petroleum War Service Committee, whilst the government in January 1918 set up the Oil Division in the Fuel Administration. Gibb and Knowlton, pp.238-243; and G.D. Nash, United States Oil Policy 1890-1964 (Pittsburgh, 1968), (hereafter Nash), pp.24-28.
 2. Williamson et.al., The Age of Energy, p.268. The American oil was especially necessary since the Allies could not get oil from Roumania, Galicia, or through the Black Sea from Russia.
 3. Gibb and Knowlton, p.225.
 4. Ibid., pp.274-276; and Williamson et.al., The Age of Energy, pp.276-279.

intensified and expanded. France, too, began to take a more aggressive attitude towards oil policy, whilst Great Britain had been shown that, in wartime, not even control of Persian oil could free her from dependence on American oil supplies. Meanwhile, in the United States, producers who had stepped up and co-ordinated production to meet Allied demands, had improved their image at home and abroad. In both countries, the close co-operation between government and businessmen, and indeed between the businessmen themselves, led to the continuation of informal assistance after the war, and increased understanding of the oil industry's problems among the bureaucracy of both nations.

This government aid served to intensify an already frenetic struggle among the multinational companies to find new sources of production. Although the industry faced another rapid fluctuation in marketing demand, as the massive Allied war machine began to be dismantled, few oilmen saw the future in anything but rosy terms. Demand was rising, and seemed likely to continue to rise, as, freed from the restrictions of the war, private motoring expanded.¹ The conversion of marine transport to oil seemed likely to provide another lucrative market,² whilst experiments in oil-fired locomotives also promised well for the industry. All these developments seemed the more likely as coal production in the United Kingdom fell, and both the United Kingdom and the United States were faced with industrial troubles in the coal sector.³

The oil press was ebullient, reflecting clearly the optimism felt in the petroleum industry. The editorial notes of the

1. Bureau of the Census, Historical Statistics of the United States: Colonial Times to 1957 (Washington, 1960), p.462.

2. In 1919 only 12.7% of the world merchant marine was oil burning, by 1921 this figure had risen to 23.9% and by 1929 39.2%. Williamson et.al., The Age of Energy, p.455.

3. See, for example, the editorial on 26 July 1920, Petroleum Times II, pp.101-2.

Petroleum Times in the early part of 1919 forecast an unprecedented boom in oil to meet the greatly increased world-wide demand, referring as late as 10 January 1920 to the potential of 'an almost limitless expansion of the industry'.¹ To satisfy this massive demand, however, massive reserves of crude were essential. Immediately after the war, the outlook for production did not appear too gloomy, since belief was widespread that Bolshevism in Russia was a passing phenomenon, and would soon be overcome by the British forces in the Baku area.² Meanwhile, optimistic reports as to the rapidity with which Roumanian fields, damaged during the war, could reopen were received. As a consequence, there was a speculative boom in oil shares on the London Stock Market.

By mid 1920, however, the feeling of ebullience in the post war boom had faded, although the desperate search for new sources of production which it had begun continued. Never again during the interwar period was the oil industry to be without some major problem. The new feeling of anxiety within the industry was caused by two developments; the commercial depression of 1920 not only had its effect on the sale of oil products but, coupled with the inevitable reaction after the frenzy of 1919, also depressed oil shares.³ Meanwhile, the United States, having borne the brunt of world supply for 60 years, was now facing reports of

1. Petroleum Times III, p.33; see also articles in February and October 1919, Petroleum Times I, p.87 and II, pp.349-50.

2. See for example a report on 7 February 1920 of a possible Bolshevik takeover of the Grozny fields, suggesting only that the Reds might 'hold temporary sway there'. Petroleum Times III, pp.135-6.

3. 29 January 1921, The Economist XCII, p.166.

a very rapid exhaustion of its reserves.¹ The outcry that American oilfields would soon be exhausted reached its peak in 1919-20, and initiated an ugly quarrel as to whether the British were 'cornering' the new sources of production, a suggestion the Petroleum Times called 'grotesque in the extreme'.² However, the assertion continued to be made in a series of books on the so-called 'oil war' published in the 1920s, and in American oil journals.³

This criticism was made all the more pointed by the sudden dampening of hopes in at least three other areas. The Bolshevik threat reasserted itself in the Baku area; British citizens fled the Grozny fields, and the future could no longer be viewed with optimism. Meanwhile, the Roumanian situation continued to pose difficulties, as lack of transport bottlenecked all the oil produced. Moreover, in Mexico salt water appeared in some of the wells, and political conditions also appeared uncertain, causing most companies to forswear further exploration and the exploitation of new areas.

In such a situation, it is hardly surprising that any potential oilfield became the source of a struggle between the large companies. For American companies, in particular, the need

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1. U.S. Geological Survey, 'The Oil Supply of the United States', Bulletin of the American Association of Petroleum Geologists VI (1922), pp.42-6; and G. Otis Smith, 'Foreign Oil Supply for the U.S.', Petroleum Age 7 (1920), pp.157-8. In this article, Smith called for conservation at home, exploitation abroad.
 2. 3 May 1919, Petroleum Times I, p.351; see also 2 August 1919, Petroleum Times II, pp.109-110; and 18 December 1920, The Economist XCI, pp.1072-3.
 3. Denny; Mohr; and Davenport and Cooke. For an example of oil journal opinion, see Petroleum Age 6 (1919), pp.412-3 and 433. It is noticeable that Sir Auckland Geddes, British Ambassador to the United States, thought it worthwhile to deny this charge in a leading American oil paper. Sir Auckland Geddes, 'Plan for British Oil "Corner" Denied', Petroleum Age 7 (1920), pp.40-1.

to secure their own producing properties abroad was immediate. Before the war, Standard Oil had been unsuccessful in securing foreign production anywhere, except Roumania, where war damage was making production difficult, and was involving the Company in bitter correspondence as to compensation. On the whole, American oilmen showed a contempt for the more pessimistic reports on the exhaustion of American oil reserves, as the debates at the conferences of the American Petroleum Institute showed;¹ indeed, in 1925 the Institute produced its own report, by the so-called 'Committee of Eleven' which sought to refute once and for all rumours of an impending oil famine.² Nevertheless, undoubtedly the opinion, if not prevalent, was at least considered, that unless American companies followed a policy of expansion abroad, it was possible that, having supplied the world with cheap oil products for so long, they would find themselves dependent upon others, at the time when control of oil reserves had become a matter of political, not merely commercial, concern.³ Ill-considered boasts by British businessmen of Britain's growing control of the world's reserves,⁴ coupled with efforts by both the governments of Great Britain and Holland to exclude American companies from their

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1. See, for example, the Presidential Address by Thomas A. O'Donnell, American Petroleum Institute, Proceedings of the Second Annual Meeting (Chicago, 1921), pp.4-7; and Petroleum Age 7 (1920), pp.79 and 137.
 2. Williamson et.al., The Age of Energy, pp.317-8; and Henrietta M. Larson and Kenneth Wiggins Porter, The History of Humble Oil and Refining Company: A Study in Industrial Growth (New York, 1959), (hereafter Larson and Porter), pp.255-6.
 3. W.C. Teagle, 'The Earth's Oil Problem', Petroleum Age 7 (1920), pp.52-3.
 4. Speech by Mr. Pretymann, M.P., at the opening of Anglo-Persian's new refinery at Swansea, Petroleum Times I, pp.377-82; Sir E. Mackay Edgar, 'Britain's Hold on the World's Oil', Sperling's Journal (1919); and for rumours in the oil press that the British Empire was going to adopt an aggressive policy towards the control of oil resources, Petroleum Times I, pp.135-7.

territories, exacerbated American feelings of being the victim of a conspiracy. It became apparent that, to ensure their future supplies, American oil companies had to expand. Moreover, since American oil imports already exceeded exports,¹ there was every reason for the United States government to encourage a policy of exploitation abroad, conservation at home, so as to ensure that the United States retained large reserves of a strategically vital mineral within its own control and borders.

Other factors also played a part in the American determination to secure foreign production. As Royal Dutch-Shell had discovered, it was economically sound to supply a market from the nearest source of supply, thus cutting down on transport costs. Moreover, Standard Oil could no longer afford to treat the foreign market as an adjunct to the American one. Growing competition, both at home and abroad, meant it was essential to secure markets permanently, thus entailing control of a secure source of production, instead of reliance upon the fluctuating fortunes of American wildcatters. Undoubtedly another impelling motive was the economic advantage in exploiting foreign fields. Since most were granted by State concession, one company controlled the entire field, which enabled it to regulate production according to market demand, a position completely different from that prevailing in American fields. Moreover, as the 1920s progressed, the growth of technological and geological knowledge made the exploitation of large fields abroad far cheaper per unit of output than the American fields.²

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1. As early as 1919, Mexican oil imported into the U.S. exceeded U.S. oil exports by 47 million barrels. Petroleum Times III, pp.218-22. See also Table A. The significant figures are those relating to crude production; frequently oil exported into the United States was refined, and then imported, thus appearing in both import and export figures.
 2. Not least because careful, controlled production led to a larger ultimate recovery of the oil. See H.D. Wilde Jr. and F.H. Lahee, 'Simple Principles of Efficient Oilfield Development', Bulletin of the American Association of Petroleum Geologists 17 (1933), Part 2, pp.981-1002.

There was, therefore, every reason for American companies to go on searching for foreign production even after the emergency of the early 1920s had passed.

It is, however, in the period immediately following the First World War that the major oil companies began their urgent search for additional production overseas, so as to secure their competitive position. This was particularly true of Jersey Standard, still the largest oil company in the world, but with a productive capacity far below that of its main rival, Royal Dutch-Shell. Far from increasing its comparative productive capacity, after 1918 it was producing only 16% of the crude oil its refineries consumed. Whilst it devoted considerable attention to the securing of domestic production,¹ it also sought foreign production on a large scale, seeking concessions in the Middle East, Roumania, Poland, Mexico, Peru and Colombia for the most part, but also investigating the possibilities in France, Italy, Czechoslovakia, Spain, Egypt and Russia.² By such means, it was able by 1926 to produce 39% of its refineries' crude requirements.³

Of the other major companies, Royal Dutch-Shell was in a far stronger position than Jersey Standard. Having acquired virtually world-wide production before the war, it had little need to engage in a frantic search for oil. Nevertheless, it did seek to consolidate its position, in part to strengthen its competitive ability,

1. Gibb and Knowlton, pp.409-459.

2. Ibid., pp.278-408.

3. Henrietta M. Larson, Evelyn H. Knowlton and Charles S. Popple, New Horizons: The History of Standard Oil Company (New Jersey) 1927-50 (New York, 1971), (hereafter Larson et.al., New Horizons), p.3.

in part to compensate for the massive losses of Russian oil bearing territory, following the Russian Revolution. By acquiring Lord Cowdray's Mexican Eagle, it strengthened its hold in the South Americas, a position further advanced when Royal Dutch-Shell's pioneering work resulted in a massive find in Venezuela, which country was by 1929 one of the three largest oil producing states in the world. In view of the well established international position of Royal Dutch-Shell, moves were made by the British Government to secure British control of the Group, although eventually this was to come to nothing.¹

However, the British Government did of course already control, by virtue of a majority shareholding, the Anglo-Persian Oil Company. Despite having a secure position in Persia, with unit control of the oilfields, and a potential production capacity far above what its refineries could handle, Anglo-Persian began to look outside that country. It is hard to judge just how far its moves in the immediate post war years were the result of its own commercial policy, and how much at the prompting of the British Government. Having acquired British Petroleum as a marketing company, the Company was able to market its own products in Great Britain, whilst the refineries built at Llandarcy by 1922 and Grangemouth by 1924, enabled the shipment of crude to the United Kingdom.² Anglo-Persian also acquired in 1919 the firms dealing in Scottish shale, an industry usually operated at a loss. Such a move could be seen either as the desperate acquisition of reserves at any price;

1. Davis, British Oil Policy, ch. 4.

2. Anglo-Persian also expanded its marketing operation into Europe after 1918, covering Scandinavia, Belgium, Denmark, France and Germany, and also into Australia and Far East. Longhurst, pp.179-181.

or it might have been due to the prompting of the British Government, desirous both to encourage a possible supply of oil within its own control, and to safeguard Scottish jobs. It would seem to accord well with British Government financial aid to companies wishing to explore for petroleum in the British Isles, where mineral rights were vested in the Crown. Such companies would have been encouraged by the great interest expressed in British oil prospects by petroleum technologists.¹

Anglo-Persian did not confine its expansion to purely British operations, however. Apart from increasing its markets in Europe and elsewhere, it also began searching for foreign concessions throughout the Middle East (Kuwait, Qatar, Iraq), which it seemed to regard as its own special preserve; in parts of the Empire, such as Canada, Australia and Papua, with the encouragement of Dominion governments; and in other areas too, including Latin America (Argentina and Mexico) and Albania.² Anglo-Persian was clearly envisaging a role for itself as a leading international major.

This combination of concern about potential shortage of oil supplies in the medium-term, and aggressive company policy directed at securing additional production wherever possible, was, in the period 1919-21 to lead to bitter struggles between governments, and companies, in what has been called the 'oil war'. The question of why the full bitterness of the 'oil war' diminished after 1921 has been examined in the text. However, given the continued anxiety of several oil companies to participate in Middle East

1. This interest was particularly prevalent during the war. See, for example, William Forbes-Leslie, 'The Occurrence of Petroleum in England', Journal of the Institution of Petroleum Technologists III (1916-17), pp.152-183; W.H. Dalton, 'On the Oil Prospects of the British Isles', *ibid.*, IV (1917-18), pp.37-50; and Cunningham Craig *et.al.*, 'A New British Oil Industry', *ibid.*, IV (1917-18), pp.110-134. These experts all seemed very optimistic as to the possibility of discovering oil.

2. Longhurst, p.65.

production; the negotiations with governments that this entailed; and, of course, the struggle for Arabian concessions in the 1930s, it is necessary to look in some detail at conditions prevailing in the oil industry for the rest of the interwar period.

Discoveries and exploitation in other parts of the world notwithstanding, in the 1920s the history of the world oil industry was still largely dominated by events in the United States, which accounted for about 70% of all world production and consumption,¹ and hence was extremely influential in controlling world oil prices.² A series of major discoveries in the United States during the 1920s³ were to have a dramatic effect on the oil industry generally, and prices in particular.⁴ For whilst this new production removed the immediate need to find new production elsewhere, and also raised grave doubts as to the lack of oil reserves in the United States, the vicious circle of overproduction and low prices that it engendered was to pose a major threat to the future of oil.

It was in the 1920s that much of California was opened up to the derrick,⁵ and in this state particularly, town lot development was to exacerbate problems already created by the attitude of United States law towards oil discovery. So small were some of

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1. See Table C below. Moreover, U.S. exports accounted throughout the 1920s for between 30-35% of foreign demand. Williamson et.al., The Age of Energy, p.509, Table 14.1.
 2. A good source for the fluctuations in supply and demand, oil stocks, and oil prices for this period is to consult the relevant volumes of The Economist.
 3. Beginning on a large scale in 1922, and continuing at regular intervals thereafter. See Petroleum Age 9 (1922); Ise, pp.105-126; and Gibb and Knowlton, pp.415-453.
 4. Larson and Porter, pp.248-253.
 5. Particularly in the period 1922-3, flush production from California had a dramatic effect on mid-Continent oil prices. Ise, pp.105-112.

these 'town lot' leases that operators with one derrick and little else in the way of equipment or capital were able to commence production. With insufficient resources to permit long term investment or planning, these small producers frantically sought to produce as much oil as was feasible, selling it at the well head to one of the majors, or the large independents, and hence dispensing with the need to provide storage, transport or refining capacity. The net result of these vast numbers of small operators was an uncontrolled flood of oil which the major companies were incapable of handling.

Despite a generally rising level of demand, massive stocks were built up, and prices were depressed dramatically. In such a situation, voluntary curtailment agreements and the bankruptcy of many of the smaller producers would for a short time halt the flood of oil, only to resume once the price of oil climbed once more. This vicious circle was to continue, and worsen, throughout the 1920s and beyond, with prices at times hitting a low of 5-10¢ per barrel in some areas.¹

Overproduction was of course not a new phenomenon in the American oil industry. But in the 1920s it was compounded by developments which affected the entire world industry; the continuing problem was more the consequence of scientific and technological advances, although the 'flush production' from new fields contributed. Among these technological advances were the development of 'cracking' in major refineries;² the use of

1. This discussion has largely been based on the periodic reports in relevant volumes of The Economist.

2. That is, a technique of obtaining from less profitable fractions such as fuel oil, or kerosene, the most valuable product of all, gasoline. Anglo-Iranian Oil Company Ltd., Our Industry (2nd edn, London, 1949), pp.104-122; Dorsey Hager, Fundamentals of the Petroleum Industry (New York, 1939), pp.325-334.

geological and geophysical methods to discover new fields,¹ and improved exploitation of those fields by use of such techniques as the rotary drill, air lift, and water drive.²

Exacerbating the problem created by overproduction in the United States, new sources of production elsewhere were being opened up. Whilst Mexican production continued to decrease, it was more than offset in other regions of the world. Russia followed a deliberate policy of a rapid increase in production, since petroleum was one major product available for export, thus improving the Soviet foreign trade position.³ Even following the Depression after 1929, Russian production continued to increase.⁴ In Persia and Roumania, the oil industry maintained a steady growth. Moreover, two entirely new - and important - sources of production were opened up: Columbia, and Venezuela, the latter becoming the second largest world producer of crude petroleum by 1930.

In most of these foreign fields, unit control would have allowed the operating company to regulate the flow of oil so as to match demand. And, indeed, to some extent this was done, notably by Royal Dutch-Shell in Venezuela, whilst Anglo-Persian could undoubtedly have far exceeded its production in Persia.⁵

1. See, for example, *ibid.*, pp.129-157; and a number of articles in the Bulletin of the Association of American Petroleum Geologists 9 (1925) and 10 (1926).

2. Hager, *op.cit.*, pp.159-287.

3. 24 March 1928, The Economist CVI, pp.581-2.

4. This was despite attempts made by the major international oil companies between May 1932 and Spring 1933, to reach some agreement with the Russian government to curb exports. See The Economist CXIV, CXV and CXVII. Such attempts tended ultimately to fail because of the inability of the United States to control production.

5. Anglo-Iranian Oil Company Ltd., Our Industry (2nd edn, London, 1949), pp.54-55.

But this restriction was simply in accordance with particular fluctuations of the companies' own market demands, and hence was to benefit their own profitability. Since most of the companies operating foreign fields did not have extensive production in the United States, there was little reason for them to damage their own profitability to assist the American oil producers - particularly when the latter showed so little inclination to assist themselves.

It might at first sight appear that the chronic overproduction of the 1920s would have deterred American majors at least from pursuing their search for foreign concessions. But whilst it may have curtailed the frantic search for immediate production, in the long term the need for American oil companies to secure foreign reserves was still important. Although American overproduction enabled them to buy at low prices and fill storage, the vagaries of production left American majors exposed¹ when in competition with other large oil companies, which had stable supplies, efficiently exploited, close to their markets. With the growth of Royal Dutch-Shell and Anglo-Persian - and, indeed, the increased rivalry between American oil companies for markets abroad - it was no longer feasible for the United States oil industry to use foreign markets as a release valve for American oil.

Moreover, the pattern of the United States oil industry was changing. Although large scale oil exports continued, since 1918 imports of oil into the United States had consistently exceeded

1. Particularly since few large American oil companies cared to commit themselves too heavily to ownership of American oil wells, preferring to buy oil as needed, rather than be forced by American law to produce oil they were unable to sell.

exports, even in the years of chronic overproduction.¹ It was becoming apparent that the United States was likely to prove a net importer of oil; and that her share of the non-American market was likely to drop.² Given this, the instability of United States production, and the need to meet commitments demanding a guaranteed source of crude, the pressure was strong for American companies wishing to sell abroad, including majors such as Socony and Jersey Standard, but also large independents such as Texaco and Gulf, to look abroad for reserves to supply the expanding world market - even if such reserves were not immediately exploited.³

Although the problems of overproduction began to become apparent from 1922 onwards, in late 1925 and 1926, comparative stability returned to the industry.⁴ In 1927, however, the precarious balance between supply and demand was again overturned,⁵ and the oil industry was swamped by a flood of oil, which led to the usual collapse of prices. Indeed, so great was the American production of crude, that it could not even be transported and stored, and hence wastage, on a vast scale, was inevitable.

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1. See Table A. But it should be noted that the figures there cited relate to crude petroleum only. When petroleum products are included, in Table B, exports still exceeded imports for most of the 1920s and 1930s. Much of the crude petroleum imported, of course, would be from South America and, after being processed in U.S. refineries, was then exported as refined products.
 2. For example, whilst in the 1920s U.S. exports supplied over 30% of foreign demand, during the 1930s this figure rapidly declined to under 20%. Williamson et.al., The Age of Energy, Table 14.2, p.509, and Table 20.2, p.720.
 3. Larson et.al., New Horizons, pp.109-148.
 4. Gibb and Knowlton, pp.485-6.
 5. Larson et.al., New Horizons, pp.59-62; Larson and Porter, pp.260-265; and The Economist CIV and CV.

This slump, occurring before the American industry had had time fully to recover from the uncertainty of the early 1920s, or to dispose of vast crude and gasoline stocks, had a devastating effect upon it, for it had no chance to recover before the Depression, and the concomitant fall in demand, exacerbated the atmosphere of crisis. In effect, the depression in the oil industry commenced in 1927, and was to result in a growing acceptance of the need for co-operation, both in the United States and in the international oil industry generally. However, this acceptance was slow to permeate to the United States Federal government, which was not to be fully convinced of the benefits of co-operation until the Depression of the 1930s had reached its peak.

This was unfortunate, for although the problem was world-wide, the settlement of the American problem was the most important priority. The American industry still accounted for, and controlled, the world oil industry, with nearly 70% of the world's production still concentrated in the United States. Unless American producers could be persuaded to curtail their wasteful habits, there was little hope of co-operative efforts by the large multinational companies on an international scale proving successful. However, whilst the larger American companies recognized the need for planning, conservation and control,¹ to allow implementation of reserve extension, and a policy of matching production to consumption,² it was not so easy to achieve this. For whilst in foreign fields curtailment could usually be enforced with ease, since only

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1. A notable example was the Humble Oil and Refining Company, one of Jersey Standard's main domestic subsidiaries, which advocated and attempted to implement unit control of U.S. oilfields. Larson and Porter, p.262.
 2. Address by Axtell J. Byles, Vice President, The American Petroleum Institute, Proceedings of the Ninth Annual Meeting (Chicago, 1928), pp.4-6. It is significant that the A.P.I., which in earlier years had been bitterly opposed to any form of Government interference, had now changed its opinion.

one or at most a few companies operated there, in the United States curtailment involved agreement between a large number of companies and one-man operators, agreement which unless backed by the Federal Government was unlikely to be successful in the long term.¹

So, although various attempts were made in the following years voluntarily to restrict production, in some cases with the backing of State governors and even the use of the state militia in Oklahoma and Texas, to shut down wells in order to force up prices,² these agreements were all too shortlived, and were flouted as soon as new production elsewhere threatened the abstainers,³ or higher prices prevailed. So, although there was a drop in crude oil production in the periods 1929 and then 1930-1932, in part as a consequence of voluntary restriction,⁴ in both 1930 and 1933 flush production in Texas destroyed voluntary restriction,⁵ and totally undermined oil prices, already weak because of falling demand. It was apparent that only federal action could help restore order to the United States oil industry.

Until such action was taken, the only hope of effective restriction of the glut of oil was by attempts to limit international production. Probably the best known - and, in the short

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1. Especially since such argument would technically be a violation of the Sherman Anti-Trust Law, on which grounds President Hoover refused to intervene. Nash, pp.98-111.
 2. Ibid., pp.112-125; and Williamson et.al., The Age of Energy, pp.321-338, and 542-544.
 3. As, for example, in 1930, when the disastrous flooding of the market by oil from the massive Texas field destroyed voluntary restriction in Oklahoma. Larson and Porter, pp.297-347 and 449-476.
 4. See the periodic reports in The Economist CX-CXVI.
 5. Larson and Porter, pp.321-476.

term at least, the most successful attempt was initiated on 17 September 1928, during a meeting of Deterding, Cadman and Teagle - the famous Achnacarry or 'As-Is' agreement. This included, amongst its provisions, agreement that companies should accept the same proportion of business in the future as they currently held, share facilities where possible, draw supplies for markets from the nearest producing area, and handle excess local production by shutting in oil wells.¹ However, there was little chance of real success whilst the United States and Russia remained outside the orbit of restriction. Attempts by Jersey Standard to stimulate voluntary curtailment in the United States were to fail by 1931,² and since the United States still supplied over 60% of the world's oil, this meant that in practice, co-operation between the international majors became concentrated on the sharing of distributing and marketing facilities so as to minimize wasteful competition,³ a practice that European oilmen continued to urge upon their American colleagues.⁴ However, even

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1. For details of the Achnacarry Agreement and other attempts at international co-operation, see Christopher Tugendhat, Oil: The Biggest Business (London, 1968), pp.99-104; Larson et.al., New Horizons, pp.60 and 308-9; and Williamson et.al., The Age of Energy, pp.506-534.
 2. Standard Oil (New Jersey) set up in December 1928 the Standard Oil Export Corporation (comprising Jersey Standard and five major subsidiaries) and in 1929 the Export Petroleum Corporation (comprising the Standard Oil Export Corporation and 16 other companies). Both these corporations urged members to follow the group line on prices, export quotas, etc. Although forced by the anti-trust laws to limit itself to the export trade only, the Export Petroleum Corporation failed. Ibid., pp.530-1.
 3. For example, Burmah-Shell Oil Storage and Distributing Company of India Ltd., registered 6 January 1928, and, a more extensive attempt at co-operation, the Consolidated Petroleum Company Ltd., registered on 17 October 1928 to acquire all installations and distributing facilities of Anglo-Persian and Asiatic Petroleum Company (a Royal Dutch-Shell subsidiary) in Africa, Egypt, the Sudan, Palestine, Syria, the Red Sea and Ceylon.
 4. See, for example, Sir Henri Deterding, 'Common Sense in the Oil Industry', American Petroleum Institute, Proceedings of the Tenth Meeting of the American Petroleum Institute (Chicago, 1930), pp.11-13.

this limited success, taken together with the steady development of joint ownership of Middle East concessions, helped promote an atmosphere of co-operation in the international oil industry.

After 1933, the oil industry returned slowly to a more normal state of affairs, though still afflicted with a surplus of oil, and low prices. To some extent, of course, this was due to the general improvement in the world economy, as the worst effects of the Depression passed. But it also owed a great deal to the widening acceptance of a belief that measures to eliminate waste and encourage conservation were essential when dealing with a natural resource as vital as oil: a view that the worsening international situation and increasing possibility of war could only reinforce. This view had, of course, become more acceptable amongst oilmen in the late 1920s, even converting that bastion of free enterprise and resister of Government interference, the American Petroleum Institute; but despite support by state legislatures, presidents, and the Federal Oil Conservation Board for voluntary restriction in output,¹ the peculiar nature of the American oil industry meant that only compulsion could guarantee that such anti-waste measures were widely implemented. This was to come in the 1930s, especially during the Roosevelt administration. Hitherto, state measures, aimed at conserving oil, and restricting production through proration,² however successful they might be, not only could be undone by the change of mind of a single operator,

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1. As witness the setting up of the Interstate Oil Compact Commission in 1929, and the 1930 report of the Federal Oil Conservation Board. See Williamson et.al., The Age of Energy, pp.336-7.
 2. That is, by deciding upon the amount by which production was to be reduced, and sharing out that reduction on a pro-rata basis between the various fields, and operators in those fields.

but could only succeed whilst operators did not see their own reductions outweighed by production elsewhere.¹ During the New Deal, however, the National Industrial Recovery Administration was able to implement a nationwide code for the oil industry, which permitted restriction of production to a level more in accord with the reduced needs of the American economy.² Whilst this did not prove completely successful, a much more effective act passed in 1935, The Connally Act, authorized the Interior Department to design measures that would restrict foreign and interstate shipments of 'hot oil' (i.e., oil over the state allowance).³ In the same year, several oil producing states, many of which had already adopted effective state conservation laws, entered, with the consent of Congress, into an interstate compact to encourage conservation and the elimination of waste.⁴

Moreover, the imposition of a tariff, and a restriction on oil imports into the United States, together with a greater demand for petroleum products, went a long way to balancing supply and demand. More long term planning was possible again, and whilst at home American companies sought to obtain block leases that would allow the retention of reserves, eventually to be worked more efficiently by wider well spacing, use of better techniques and technology,⁵ abroad American companies continued to expand

1. Larson and Porter, pp.297-326 and 446-487; and Williamson et.al., The Age of Energy, pp.336-7.

2. Nash, pp.128-141; Williamson et.al., The Age of Energy, pp.537-548; and The Economist CXVI and CXVII.

3. Williamson et.al., The Age of Energy, pp.537 and 546-561; Nash, pp.145-6; and Larson and Porter, pp.479-486.

4. Marquis James, The Texaco Story: The First Fifty Years 1902-1952 (New York, 1953), pp.57-62; Williamson et.al., The Age of Energy, pp.550-1; and Larson and Porter, pp.485-6.

5. Ibid., p.262.

their interest in a wide range of foreign fields.¹ Thus, whilst the international majors, and larger American independents were not necessarily anxious actually to work new fields, concession hunting continued apace.

It was in a framework of overproduction and uncertainty, therefore, that negotiations for Arabian concessions were undertaken, and the factors herein described may help to explain why American companies were apparently more anxious to obtain concessions than companies such as Anglo-Persian, which already had easily controlled and regulated productive capacity beyond their immediate needs; and yet why, having obtained the concessions and proved the existence of oil, the new concessionaires proved so unwilling to begin commercial production.

Note A

American Law relating to oil production

One of the most consistent features of the world oil situation throughout the period dealt with in this appendix, was the chronic overproduction endemic in the American petroleum industry. To understand why this was so, and why no successful effort was made until the 1930s to overcome the problem, it is essential first to comprehend the effects of American laws relating to petroleum.

Subsoil Ownership

Whereas in most countries, all mineral rights are vested in the State, which controls the granting of concessions to commercial companies, in United States law the owner of the surface also owns the subsoil (including any minerals), and has the sole right to

1. For example, by the end of the 1930s, Jersey Standard had interests in Iraq and other areas of the Middle East, Venezuela, Argentina, Bolivia, Mexico, Peru, Colombia, the Dutch East Indies, Hungary, Italy, and Roumania. Larson et.al., New Horizons, pp.109-149.

lease mineral rights to an oil company. This has certain implications, of great significance for overproduction in the 1920s. A landowner might, if he so desired, subdivide his property and lease it to several operators. Moreover, owing to the nature of land development in the United States, an oil pool rarely lay under the property of only one landowner, whilst in areas of townlot development (such as the Los Angeles basin), the number of separate landowners, and hence leases, were legion. It was virtually impossible, therefore, for any one company, no matter how large, to control the exploitation of an entire field. Moreover, landowners could stipulate rapid development, and even the number of wells to be drilled, thus ensuring that companies, whatever the state of the market, were forced to produce oil at a ruinous and wasteful rate; they could also require the lessees to drill 'offset wells' under the Law of Capture (see below). The large number of landowners also encouraged the proliferation of small producing companies, owning only one or a few leases; and it was these small producers who were responsible for most of the overproduction of the 1920s.

The Law of Capture

In view of the situation outlined above, the fugitive nature of oil presented a serious legal problem. Since oil naturally migrates towards the area of least pressure, a well drilled on one lease might in theory drain the entire oil reservoir, including that oil originally located under other leases. Other than dividing the oil produced amongst the lessees, according to area held, there was no way of determining the quantity of oil belonging to each operator. It was therefore decided to apply to oil the 'law of capture', originally devised to determine the ownership of

game animals; that is, the oil was declared to belong to the man on whose land it was 'captured', or produced. Thus, once one well had been drilled on one lease, for the protection of their royalties, landowners could insist that 'offset wells' should be drilled, so that each well near the boundary of the leases adjoining theirs was paralleled by one within their property. This all too often led to the ridiculous situation such as prevailed in Spindletop, Texas, where the derricks virtually touched each other. Moreover, any attempt to prevent rapid exploitation of a new field in a time of overproduction could be destroyed by only one operator deciding to drill a well.

The Sherman Anti-Trust Act

Originally passed in 1890, the Sherman Law was directed against the extremely powerful 'trusts' which had come into being since the Civil War, of which the first, and perhaps the best known, was the mighty Standard Oil Combine. By this act, any combination tending towards monopoly, or restraint of trade, was declared illegal. Whilst this law was to prove efficacious as a weapon in 'trust-busting', it was also to have a less beneficial effect on the oil industry of the 1920s. Any combination of producers, pipeline operators, refiners or exporters to limit the amount of oil produced or handled, was too often seen as an attempt to maintain prices by illegal restraint of trade. It was impossible, therefore, to make a curtailment agreement binding on any company or operator; thus, all too often, such agreements failed because one operator, or lessor, refused to be bound by it. Not until the Federal Government itself sponsored such agreements in the 1930s, was it possible for oil companies to co-operate in preventing waste, and low prices, without fear of legal action.

The inevitable result of all this legislation was to make effective action against overproduction virtually impossible. With no way of preventing new wells being drilled, the only sure way to curtail production was to allow prices to plummet way below the 'break-even' point. Even then, the slightest rise in prices was often sufficient to inaugurate a new orgy of drilling and a flood of unwanted oil. Not even firm action by governors of some states could do much to improve the national situation, until under Roosevelt the Federal Government was prepared to intervene.

Table A: United States Oil Industry 1914-1939: Production, Imports and Exports of Crude Petroleum
(in thousands of United States barrels)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Estimated Proved Reserves</u>
1914	265,763	17,247	2,970	5,400,000
1918	355,928	37,736	4,901	6,200,000
1919	378,367	52,822	6,019	6,700,000
1920	442,929	106,175	9,295	7,200,000
1921	472,183	125,364	9,627	7,800,000
1922	557,531	127,308	10,805	7,600,000
1923	732,407	82,015	17,534	7,600,000
1924	713,940	77,775	16,239	7,500,000
1925	763,743	61,824	13,337	8,500,000
1926	770,874	60,382	15,407	8,800,000
1927	901,129	58,383	15,844	10,500,000
1928	901,474	79,767	18,966	11,000,000
1929	1,007,323	78,933	26,401	13,200,000
1930	898,011	62,129	23,705	13,600,000
1931	851,081	47,250	25,535	13,000,000
1932	785,159	44,682	27,393	12,300,000
1933	905,656	31,893	36,584	12,000,000
1934	908,065	35,558	41,127	12,177,000
1935	996,596	32,239	51,430	12,400,000
1936	1,099,687	32,327	50,313	13,063,400
1937	1,279,160	27,484	67,234	15,507,268
1938	1,214,355	26,412	77,254	17,348,146
1939	1,264,962	33,095	72,076	18,483,012

Source:- Bureau of the Census, Historical Statistics of the United States. Colonial Times to 1957. A Statistical Abstract Supplement (Washington, 1960), p.300.

Table B: United States Imports and Exports of Crude Petroleum and Refined Petroleum Products 1920-1939
(in thousands of United States barrels)

<u>Year</u>	<u>Imports of Crude and Refined Petroleum Products</u>	<u>Exports of Crude and Refined Petroleum Products</u>
1920	108,822	79,576
1921	128,792	71,652
1922	135,973	74,344
1923	99,653	101,981
1924	94,581	117,144
1925	78,200	113,834
1926	81,320	131,950
1927	71,736	141,649
1928	91,549	154,957
1929	108,710	163,120
1930	105,618	156,499
1931	86,087	124,394
1932	74,494	101,656
1933	45,394	104,156
1934	50,494	112,864
1935	52,635	125,773
1936	57,104	129,446
1937	57,157	169,234
1938	54,308	193,728
1939	59,060	188,959

Source:- Compiled from Bureau of the Census, Historical Statistics of the United States. Colonial Times to 1957. A Statistical Abstract Supplement, (Washington, 1960), pp.360 and 364.

Table C: Production of Crude Petroleum 1880-1935: World and United States Total for Selected Years
(in thousands of United States barrels)

<u>Year</u>	<u>Estimated World Total</u>	<u>United States Production</u>	<u>U.S. Production as a percentage of the world total</u>
1880	30,018	26,286	87.6
1890	76,633	45,824	59.8
1900	149,132	63,621	42.7
1911-15 (annual average)	384,391	247,739	64.4
1916-20 (annual average)	543,106	362,661	66.8
1921-25 (annual average)	943,776	648,013	68.7
1926-30 (annual average)	1,316,008	895,762	68.1
1931-35 (annual average)	1,456,766	889,311	61.0

Source:- Compiled from Bureau of the Census, Statistical Abstract of the United States (Washington, D.C., annual, 1925, p.733; 1934, p.688; 1935, p.706; and 1938, p.739.

Appendix IV

British Colonial Oil Policy

Before 1918, there was already existing within the Empire, and hence under the direct administration of the Colonial Office, a well established oil industry. Admittedly, out of an already small production within the British Empire,¹ by far the largest proportion was derived from India,² and was therefore outside the control of the Colonial Office. Nonetheless, indications of oil were known to exist in many places throughout the colonies, and Trinidad's oil production had already reached proportions that were significant to its economy. The Colonial Office's anxiety to preserve the industry is apparent during the 1930s, when it made vigorous attempts to foster and protect it through a policy of preference buying by Government departments.³

The particular significance of the West Indian oil industry is that the regulations drawn up during its development reveal Colonial Office thinking on policy to be followed towards oil resources within British possessions. Circumstances were never to permit a unified leasing policy to be followed throughout the

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1. In 1918, out of a total world oil production of 71,689,000 long tons, the British Empire produced only 1,836,000. Imperial Mineral Resources Bureau, The Mineral Industry of the British Empire and Foreign Countries: Petroleum and Allied Products (1913-1919) (London, 1924), p.12.
 2. In 1918, India produced 1,146,340 tons, whilst Trinidad, second largest producer in the Empire, produced 291,489 tons, exporting over half. The British Empire was however very insignificant as an importer of oil into the United Kingdom. In 1918, of 1,384,495,000 Imperial gallons of oil and oil products imported into the U.K., only 162,611,000 Imperial gallons came from British possessions. Imperial Institute, Monographs on Mineral Resources with Special Reference to the British Empire: Petroleum (London, 1921), pp.16, 23 and 36.
 3. See, for example, the minutes of the 15th, 16th, 18th and 19th meetings of the Oil Board, (a sub-committee of the Committee of Imperial Defence), 9 May 1932, 27 July 1932, 6 January 1933 and 17 February 1933, CAB 50/1, and Oil Board Papers Nos. 75, 78 and 79, CAB 50/4.

Empire.¹ However, an examination of the Trinidad oil industry regulations reveals two significant factors for a study of the post-war Middle East; firstly, that the Admiralty had reason to expect that the Colonial Office would, where practicable, show consideration for its particular needs for fuel oil; and, secondly, that the policy of British control which the Colonial Office attempted to impose in the case of Bahrain and Kuwait was very similar to that actually adopted in Trinidad, modified only insofar as was necessary to deal with states that were only British protectorates, not British colonies.

Although an oil industry in its modern sense had been in existence in the United States since 1859, its strategic value was not apparent until tests revealed oil's superiority over coal as a fuel for warships. By 1904, the British Admiralty had already started to use fuel oil, urged on by the 'oil maniac' Lord Fisher, and a drive began to secure the supplies that an oil-driven navy would need in time of war. The epitome of this movement for a secure oil supply was the purchase by the Treasury in 1914 of a controlling interest in the Anglo-Persian Oil Company, as yet a small company with a highly localized production.

Although this dramatic and unprecedented coup was the result of desperate need for oil, the Admiralty had since 1904 been turning its thoughts consistently to the more orthodox method of ensuring that they could obtain supplies from within the Empire, and, more particularly, that where such resources existed, the rights should

1. Despite considerable interdepartmental discussion on the issue in the early 1920s, and again in the period 1929-30, a unified leasing policy was never adopted during the interwar years; in part because the views of the Service Departments on the one hand, and the Petroleum Department and the Colonial Office on the other, were at variance. Davis, British Oil Policy, pp.68-9 and 395-404.

if possible be reserved to the British Government of securing priority of supply for government requirements at reasonable prices.

In order to ensure that the developing oil industry of Trinidad and Barbados, geographically susceptible to United States influence, should not become dominated by American concerns, in particular the Standard Oil Company, it was decided early in 1904 to appoint a joint committee at the Colonial Office, principally representing the Colonial Office and the Admiralty, but with a representative from the India Office, to maintain close contact between the two departments.¹ This committee reported in June 1904,² and its recommendations show clearly the line of thinking adopted by the Colonial Office and the Admiralty. Its chief recommendation was that steps should be taken to give the Imperial Government a legislative priority of supply. It was also thought essential to ensure that the oil produced should be refined on the spot, so that an adequate supply of oil of the correct specification should be available.³

This committee also recommended certain policies which mining ordinances in the various Crown Colonies implemented,⁴ and which a draft model oil mining ordinance drawn up in 1916 included.⁵ This policy can be divided into two sections, the 'Admiralty clauses', which could be imposed by a Governor of a Crown Colony on all oil

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1. Memorandum by W. St. D. Jenkins of the Admiralty, relative to the reservation of oil fuel for His Majesty's Navy, January 1913, Confidential Print, Miscellaneous No.284, C.O. 855/22.
 2. Draft report of the Departmental Committee appointed to discuss certain questions with regard to the oil supplies of Barbados and Trinidad, appended *ibid.*
 3. *Ibid.*, pp.2 and 7.
 4. A list of mining ordinances in Crown Colonies can be found in *ibid.*, p.5.
 5. Model Oil Mining Ordinances, 14 January 1916, Confidential Print, Miscellaneous No.319, C.O. 885/24.

produced, whether from Crown lands or private lands; and the so-called 'British control' or 'British Nationality' clause, which was only applicable to leases on Crown lands, or ex-Crown lands alienated after 1904 (in which case, the Crown retained the mineral rights). All private lands bestowed the mineral rights upon the owner of the subsoil, and the Colonial Government could not therefore impose conditions upon the granting of leases.

The 'Admiralty clauses' were designed to ensure that in times of war, the navy would be guaranteed a secure supply of fuel oil from all Crown Colonies, whether it be produced from Crown or private lands, and were based upon the assumption that if, in wartime, Great Britain controlled the sea routes and the territories from which the oil was produced, the nationality of the producing company was immaterial. The safeguards that were thought to be sufficient were, therefore, that no oil should be exported without the previous consent of the Governor;¹ that as soon as a lessee's output of crude oil of a quality suitable for refining reached a specific quantity, the Governor might require the lessee to erect a refinery capable of processing at least fifty per cent of the output, and so treating the oil as to produce fuel oil that would meet Admiralty specification;² that the Governor should have the right of pre-emption of all oil won under a lease, and might require the lessee to produce fuel oil of Admiralty specification, upon payment of a fair price;³ and that in the event of war, the Governor might take sole charge of land and plant, and the lessee should conform to all instructions issued by the Governor.⁴ In negotiations

1. Article 52, *ibid.*

2. Article 39, *ibid.*

3. Articles 40 and 42, *ibid.*

4. Article 44, *ibid.* All the articles cited in footnotes 9-12 are based on the 1912 Trinidad Ordinance.

concerning the conditions to be imposed upon the Bahrain and Kuwait concessionaires, the Admiralty attempted, in vain, to secure at least some of the 'Admiralty clauses'.

The 'British control' clause was designed to circumvent the growth of foreign influence through an industry where capital investment was necessarily large, and hence the degree of potential political influence that could be exercised upon the host government by the concessionaire was considerable. This policy was thus applicable equally to the British protectorates on the littoral of the jealously guarded Persian Gulf. The clause stipulated that no lease should be granted, or assigned to, or held by any company which was not and did not remain a British company registered in Great Britain or a British colony, and having its principal place of business within the Dominions; that the Chairman and Managing Director of the company, and a majority of the other directors, should be British subjects; that the local manager or his equivalent, and a prescribed portion of the local staff employed by any lessee should be British subjects; and that neither the lessee nor the premises prescribed by the lease should become at any time directly or indirectly controlled or managed by foreigners or any other foreign corporation.¹ The 'British control' clause, or modified versions of it, were to play an important role in the negotiations for oil concessions in Bahrain and Kuwait.

1. Articles 35 and 36, *ibid.* These were based on the Trinidad Model, 1914.

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